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Hearing Date: March 30, 2020
Objection Deadline: March 23, 2020

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	
	)	Case No. 20 -10712
Olinda Star Ltd., (In Provisional Liquidation)[1]	)	
	)	
Debtor in a Foreign Proceeding.	)	Chapter 15
	)	

PETITIONER'S DECLARATION AND VERIFIED PETITION FOR RECOGNITION OF BVI PROCEEDING AND MOTION REQUESTING ADDITIONAL RELIEF PURSUANT TO 11 U.S.C. §§ 105(A), 1507(A), 1521(A), AND 1525(A)

[1] The Debtor in this Chapter 15 case, and the last four identifying digits of the tax number of the jurisdiction in which it pays taxes, is Olinda Star Ltd. (In Provisional Liquidation) (BVI – 9761).

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I, Eleanor Fisher (the "**Petitioner**" or the "**Foreign Representative**"), in my capacity as the duly-authorized foreign representative of the provisional liquidation proceeding (the "**BVI Proceeding**") of Olinda Star Ltd. ("**Olinda**" or the "**Debtor**") pending in the BVI Commercial Court (the "**BVI Court**") pursuant to section 170 of the BVI Insolvency Act, 2003 (the "**Insolvency Act**") of the laws of the British Virgin Islands (the "**BVI**"), by and through my undersigned counsel, respectfully submit this Declaration[2] and Verified Petition (the "**Verified Petition**")[3] in furtherance of the form of voluntary petition [ECF No. 1] (the "**Form of Voluntary Petition**") filed concurrently herewith, and hereby request that the Court enter an order substantially in the form annexed hereto as Exhibit A (the "**Proposed Order**") (i) granting recognition of the BVI Proceeding pursuant to section 1517 of title 11 of the United States Code (the "**Bankruptcy Code**") as the "foreign main proceeding" (as defined in section 1502(4) of the Bankruptcy Code) of the Debtor, and all relief included therewith as provided in section 1520 of the Bankruptcy Code;[4] (ii) recognizing the Petitioner as the "foreign representative" (as defined in section 101(24) of the Bankruptcy Code) of the BVI Proceeding; (iii) granting full force and effect and comity to the BVI Scheme (defined below) and the additional relief set forth herein pursuant to section 1521(a) or 1507(a) of the Bankruptcy Code; and (iv) granting such other and further relief as the Court deems just and proper.

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2 The Petitioner submits this Declaration in support of the Verified Petition. The Petitioner's verification with respect to the factual contents of this Verified Petition, as well as the factual contents of each of the attachments and appendices thereto, is set forth below in the section titled "Verification of Chapter 15 Petition."

3 Except as otherwise stated herein, "Ex." shall refer to exhibits to this Verified Petition.

4 Alternatively, as discussed herein, the Petitioner respectfully requests that the Court recognize such proceeding as a foreign nonmain proceeding (as defined in section 1502(5) of the Bankruptcy Code) of the Debtor, and grant the discretionary relief requested herein pursuant to sections 1521(a), 1507(a) and 105(a) of the Bankruptcy Code.

In support of this request, the Petitioner relies upon and incorporates by reference: (i) the *Declaration of Grant Carroll Pursuant to 28 U.S.C. § 1746* (the "**BVI Counsel Declaration**") filed concurrently herewith, along with the exhibits thereto,[5] and (ii) the *Omnibus Motion of the Foreign Representative for Entry of an Order (I) Approving the Withdrawal by the Foreign Representative of the Verified Petition for Recognition of the Brazilian RJ Proceeding as to Olinda Star Ltd. (In Provisional Liquidation) [ECF No. 7] and Dismissal of its Chapter 15 Case, and (II) Granting the Foreign Representative's Renewed Request for Recognition of the Brazilian RJ Proceeding as to Arazi S.à.r.l. Pursuant to 11 U.S.C. §§ 1515, 1517 and 1520 and Giving Full Force and Effect to the Brazilian Reorganization Plan as to Arazi S.à.r.l. Pursuant to 11 U.S.C. §§ 105(a), 1507(a), 1145, 1521(a) and 1525(a)*, filed by Andrew Childe as foreign representative in related case number 18-13952 (MG) (the "**Omnibus Motion**"). In further support of this Verified Petition, the Petitioner respectfully represents to the Court as follows:

PRELIMINARY STATEMENT

As the Court is aware, certain entities within the Constellation group of companies (the "**Constellation Group**") are the subject of a Brazilian *recuperação judicial* reorganization proceeding in Brazil (the "**RJ Proceeding**") and a related chapter 15 proceeding before this Court (the "**First Ch. 15 Proceeding**").[6] On December 6, 2018, Olinda, along with certain of its affiliates, filed as a debtor in the RJ Proceeding and the First Ch. 15 Proceeding. On the same day, Olinda also commenced the BVI Proceeding, seeking the appointment of provisional liquidators (the "**JPLs**"). The JPLs were appointed to Olinda on December 19, 2018, following a hearing.[7]

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5 Exhibits to the BVI Counsel Declaration shall be referred to herein as "BVI Counsel Decl. Ex."

6 *See In re Serviços de Petróleo Constellation S.A.,* No. 18-13952 (MG) (Bankr. S.D.N.Y. Dec. 6, 2018) (hereinafter referred to as "**In re SPC**").

7 *See* BVI Counsel Decl. Ex. B.

In June 2019 the Brazilian Court of Appeals upheld a decision to remove Olinda from the RJ Proceeding for lack of jurisdiction.[8] Due to Olinda's exclusion from the Brazilian RJ Proceeding, this Court did not grant recognition to Olinda in the First Ch. 15 Proceeding.[9] Accordingly, Olinda's restructuring had to change course.[10]

After lengthy negotiations, on August 5, 2019, Olinda, the JPLs, certain consenting 2024 Noteholders (as defined below) and certain other parties (the "**PSA Parties**") to the Constellation Group's plan support agreement dated as of June 28, 2019 (as amended and restated from time to time, the "**PSA**"), entered into a term sheet (the "**Olinda Term Sheet**")[11] governing a parallel restructuring of Olinda's guarantee obligations in the BVI. The Olinda Term Sheet permitted the transactions contemplated by the RJ Plan (as defined below) to close without a restructuring of Olinda, provided that Olinda's guarantee obligations were modified under BVI law in the BVI Proceeding.[12]

As of December 18, 2019, the Constellation Group's approximately $1.5 billion of prepetition debt has been substantially restructured pursuant to the Group's Brazilian reorganization plan (the "**RJ Plan**"). On February 25, 2020, following a meeting of Olinda's

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8 On June 25, 2019, Olinda appealed this decision to the Brazilian Superior Court of Justice, which the Constellation Group was advised typically takes years to issue a decision. *In re SPC* [ECF No. 79] ¶ 69; *see also* [ECF No. 99].

9 *See In re Serviços de Petróleo Constellation S.A.*, 600 B.R. 237, 245-46 (Bankr. S.D.N.Y. 2019) ("**Constellation Recognition Decision**") ("[U]ntil the Brazilian Courts determine whether the Chapter 15 Debtors Arazi and Olinda Star are proper parties in the Brazilian RJ Proceeding, this Court will not decide whether the proceedings are main or nonmain with respect to them."); *In re SPC* [ECF No. 192] ("**Chapter 15 Enforcement Order"**), at 11 ("For the avoidance of doubt, the relief granted in this Order does not apply to Arazi, Olinda Star or with respect to any RJ Debtors that are not Applicable Chapter 15 Debtors.").

10 On December 5, 2019 this Court granted full force and effect to the RJ Plan with respect to the Applicable Chapter 15 Debtors, which facilitated the closing of the transactions contemplated therein on December 17, 2019. *See In re SPC* [ECF Nos. 192, 194].

11 A copy of the Olinda Term Sheet is attached to the BVI Sanction Order (BVI Counsel Decl. Ex. J).

12 The Olinda Term Sheet originally contemplated that Olinda would enter into a BVI law plan of arrangement. However, the Constellation Group's settlement with PIMCO enabled Olinda to pursue a BVI law scheme of arrangement, which Olinda, its JPLs and the PSA Parties have elected to pursue instead.

scheme creditors (the "**Scheme Meeting**"), and upon notice and a hearing, the BVI Court approved Olinda's BVI law scheme of arrangement (the "**BVI Scheme**") pursuant to the BVI Business Companies Act, 2004, restructuring the existing guarantee granted by Olinda (the "**Prior 2024 Notes Guarantee**") in favor of holders (the "**2024 Noteholders**") of certain 9.00% Cash /0.500% PIK senior secured notes due 2024 (the "**Prior 2024 Notes**") and allowing Olinda to accede as a guarantor of restructured 2024 Notes (the "**Restructured 2024 Notes**") as contemplated under the RJ Plan.

Aside from the relief requested in the Omnibus Motion, only one step remains in consummating the Constellation Group's global restructuring. Because the Prior 2024 Notes Guarantee is governed by New York law, a prerequisite to the effectiveness of the BVI Scheme is that this Court grant it comity. The Petitioner, an officer of the BVI Court, has therefore been authorized and directed by the BVI Court to seek the relief requested herein, with the goal of finalizing the implementation of the BVI Scheme.

Thus, for the reasons set forth herein and in the Omnibus Motion, the Petitioner requests that this Court (i) recognize Olinda's BVI Proceeding as a foreign main proceeding or, alternatively, a foreign nonmain proceeding; (ii) recognize the Petitioner as the "foreign representative" of the BVI Proceeding; (iii) grant full force and effect and comity to the BVI Scheme; and (iv) grant such other relief as the Court deems just and proper.

BACKGROUND

I. OVERVIEW OF OLINDA'S CORPORATE AND CAPITAL STRUCTURES

A. Location of Olinda's registered office and records

1. Olinda (formerly Tessone Ventures S.A.) was incorporated in the BVI on September 7, 2006 and registered as a Business Company under the laws of the BVI. BVI Counsel Decl. ¶ 12 n. 1; BVI Counsel Decl. Ex. A. Olinda maintains its registered office at Tortola Pier

Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola VG1110 in the BVI, *id.*, and its statutory books and records are held in Panama, together with the statutory books and records of certain other Constellation Group entities, by its registered agent at Torre BiC SA Financial Center, Avenida Balboa y Calle Aquilino de la Guardia, Piso 40, officina 4003, Panama. Olinda's membership interests are also located in the BVI. BVI Counsel Decl. ¶ 12 n.1.

1. Location of Olinda's assets and operations

2. Olinda is a special purpose vehicle that conducts its business principally on the high seas. Its primary asset, the *Olinda Star* drilling rig, is presently completing a contract for a large international oil and gas company in the Indian Ocean. Olinda also has a client trust account at White & Case LLP, in New York, with a balance of $1,000.67 (the "**Escrow Account**").

2. Olinda's capital structure and location of its creditors

3. As set forth above, Olinda is a guarantor and grantor of the 2024 Notes, issued by its indirect parent company, Constellation Oil Services Holding S.A ("**Constellation Parent**"). As of February 6, 2020, the Petitioner came to understand that an aggregate principal amount of $608,455,375 was outstanding under the then-existing 2024 Notes (the "**Prior 2024 Notes**") pursuant to a New York law-governed indenture (the "**Prior 2024 Notes Indenture**"). The Prior 2024 Notes have been restructured pursuant to the RJ Plan,[13] but the Prior 2024 Notes Guarantee remains in place until the BVI Scheme is consummated. The indenture trustee of the Restructured

[13] Holders of the Prior 2024 Notes were offered the opportunity to participate in a rights offering (the "**Rights Offering**"). The Rights Offering was a resounding success with 92% of the 2024 Noteholders electing to participate and thereby funding a $27 million new money contribution to the Constellation Group. Those holders that participated in the rights offering (the "**Participating 2024 Noteholders**") were issued new notes pursuant to two new indentures (the "**Participating 2024 Notes Indenture**") and the ("**Stub 2024 Notes Indenture**"). The Participating 2024 Noteholders retained their existing collateral in addition to receiving an enhanced collateral package granted by certain of Olinda's affiliates. Holders of the Prior 2024 Notes who did not elect to participate in the Rights Offering retained only their existing prepetition collateral and received new notes under a new indenture (the "**Non-Participating Notes Indenture**" and, together with the Participating 2024 Notes Indenture and Stub 2024 Notes Indenture, the "**New Indentures**").

2024 Notes is located in New York and upon information and belief, the participants comprise investment funds and individuals incorporated in various jurisdictions around the world.

4. To secure the Prior 2024 Notes, Olinda granted security over certain collateral, including a mortgage over its drilling rig, the *Olinda Star*. Olinda also granted an assignment of insurance policies and pledges on related accounts. Certain of Olinda's affiliates were also guarantors and grantors in respect of the Prior 2024 Notes and are now guarantors and grantors in respect of the Restructured 2024 Notes. The full capital structure of the Constellation Group prior to its restructuring in the RJ Proceeding is set forth in more detail in the decision of this Court granting recognition to certain of the debtors in the First Ch. 15 Proceeding. *See* Constellation Recognition Decision at 254-57.

II. OVERVIEW OF OLINDA'S MANAGEMENT AND PROVISIONAL LIQUIDATION

5. Olinda's operational management team is based in Brazil,[14] its treasury function is located in Panama, and its sole director resides in the Cayman Islands. However, for more than a year,[15] the BVI Court-appointed JPLs have actively overseen and implemented its restructuring.

1. Overview of provisional liquidation proceedings in the BVI

6. The BVI is an Overseas Territory of the United Kingdom. BVI Counsel Decl. ¶ 9. The legal system of the BVI is an English-style common-law system based upon the doctrine of precedent. *Id.* The Common Law (Declaration of Application) Act (Cap 13) extends the common law of England to the BVI. *Id.* Equitable principles of English jurisprudence also apply in the

[14] The Constellation Group's shared operational management team is responsible for Olinda's and its affiliates' financial, legal and investor relations services and operational coordination activities. Constellation Recognition Decision at 287.

[15] *See In re SPC* [ECF Nos. 21, 31] (notices informing chapter 15 court of application for and appointment of JPLs to BVI-incorporated chapter 15 debtors, including Olinda).

BVI. BVI Counsel Decl. *Id.* It follows that the common law of the BVI is largely identical to that of England (except insofar as modified by statute, or BVI jurisprudence). *Id.*

7. There is no process or procedure under BVI law which is directly equivalent to Chapter 11 of the United States Bankruptcy Code. *Id.* ¶ 17. In the BVI, a company that requires the protection of a stay in order to present a compromise or arrangement to its creditors must seek the appointment of a provisional liquidator. *Id.* Provisional liquidators are officers of the BVI Court and occupy a fiduciary position with respect to the company's assets and creditors. Their function is to represent the collective interests of the creditors of the company and protect its assets from undue dissipation.

8. In a "soft-touch" BVI provisional liquidation, such as Olinda's, the directors typically retain day-to-day control of the company but the provisional liquidators are kept apprised of the actions taken by directors in the ordinary course of business. *Id.* ¶ 21. However, corporate authority to pursue a course of action that is outside the ordinary course of business (such as proposing entry into a scheme of arrangement to creditors) rests with the provisional liquidator(s). *Id.*

9. Provisional liquidation is a BVI Court-originated and supervised process. *Id.* ¶ 26. As described above, the process is commenced by an application to the BVI Court. *Id.* After an initial sixth month period, if the JPLs' appointment is to continue, an application must be made to the BVI Court every three months to extend the life of the "originating application" (which commenced the BVI Proceeding). *Id.* In this case, the BVI Court also required that the provisional liquidators submit reports on the status of the proceeding every 60 days. *Id.* Moreover, the provisional liquidators may exercise only their BVI Court-conferred powers. *Id.* ¶ 27. Various actions by a provisional liquidator that are outside the scope of their appointment order require the

express prior approval of the BVI Court. *Id.* This includes the power to make a compromise or arrangement with creditors (such as via a scheme of arrangement). *Id.*

2. Olinda's "soft-touch" provisional liquidation

10. As set forth in more detail in the BVI Counsel Declaration, on December 6, 2018 Olinda filed an application under the Insolvency Act for the appointment of provisional liquidators. *Id.* ¶ 19. On December 19, 2018, following a hearing, the BVI Court appointed the Petitioner and Mr. Paul Pretlove as JPLs. *Id.*

11. Mr. Pretlove resides in the BVI and the Petitioner resides in the Cayman Islands. They are both officers of the BVI Court and their authority to act on behalf of Olinda is derived solely from the BVI Court's orders. *Id.* ¶ 20. Due to the Insolvency Act's residency requirements, the Petitioner's ability to serve as provisional liquidator of Olinda is contingent upon the ongoing appointment of BVI-resident provisional liquidator, Mr. Pretlove, with whom she exercises joint and several authority and is in regular contact. *Id*. ¶ 18.

12. The JPLs have been conducting the provisional liquidation of Olinda in a "soft-touch" manner, with a view to implementing the successful reorganization of Olinda. The core powers conferred on the JPLs by the BVI Court (set forth in detail in their appointment order) are to oversee the exercise of power of the sole director outside the ordinary course of business, and ultimately implement the restructuring. *Id.* ¶ 22; BVI Counsel Decl. Ex. B.

13. Pursuant to a separate order dated December 20, 2019, the BVI Court has also authorized the Petitioner to act as foreign representative for the purposes of any proceedings commenced in the United States under chapter 15 of the U.S. Bankruptcy Code and elsewhere under the relevant local laws. BVI Counsel Decl. ¶ 23; BVI Counsel Decl. Ex. D.

14. The JPLs have conducted the BVI Proceeding pursuant to a BVI Court-approved Insolvency Protocol. BVI Counsel Decl. ¶ 24; BVI Counsel Decl. Ex. E (as amended, the "**BVI Insolvency Protocol**"). The purpose of the BVI Insolvency Protocol is to ensure the just, efficient, orderly and expeditious administration of the provisional liquidation. BVI Counsel Decl. ¶ 25. It also facilitates communication between management and the JPLs to ensure that the JPLs receive adequate information to discharge their duties. *Id.* The BVI Insolvency Protocol requires that Olinda's sole director, management and advisors provide regular information and updates to the JPLs and provide the JPLs with such information as is reasonably requested by the JPLs. *Id.* The JPLs are also entitled to receive and comment on drafts of written resolutions of Olinda, and to be included in any board meetings. *Id.*

15. Over the course of their appointment, the JPLs have actively exercised the authority conferred upon them by the BVI Court. Specifically, since their appointment in December 2018, the JPLs have:

i) directed that notices of their appointment be placed in the BVI Gazette and on the Constellation Group's website, inviting creditors of Olinda to correspond with them using their BVI contact details;

ii) retained BVI counsel from whom they have regularly sought advice;

iii) participated in regular conference calls with Olinda's sole director, its management team, treasury department and advisors;

iv) regularly requested and reviewed documents, updates and information from the Constellation Group's management, treasury department and counsel concerning both Olinda and the broader Constellation Group's affairs, proceedings and restructuring process;

v) reviewed and commented on (A) Olinda's draft board resolutions, (B) proposed filings in Olinda's BVI and U.S. court proceedings, and (C) all notices and documents prepared in connection with the BVI Scheme;

vi) supported five applications in the BVI Court for the renewal of the originating application that sustains their appointment;

vii) filed five status reports with the BVI Court, pursuant to their duty to update the BVI Court on the status of the BVI Proceeding;

viii) following Olinda's exclusion from the RJ Proceeding, overseen and participated, via counsel, in negotiations between Olinda and the PSA Parties to facilitate Olinda's BVI restructuring process;

ix) considered, reviewed, commented on, and ultimately authorized Olinda to enter into the Olinda Term Sheet, following an extensive consultation process with their advisors and Olinda's sole director;

x) considered, reviewed and commented on the BVI Scheme, and after determining that the BVI Scheme was in the interests of creditors, authorized Olinda to put the BVI Scheme forward to creditors;

xi) engaged with Olinda's creditors concerning the BVI Scheme, including overseeing the dissemination of notices, proxy forms, the BVI Scheme and related documents to scheme creditors, and responding to questions and requests for documents from scheme creditors;

xii) caused Olinda to request that the BVI Court convene a meeting of creditors to approve the BVI Scheme;

xiii) chaired the meeting of creditors necessary for the approval of the BVI Scheme, reviewed and tallied proxy forms, and determined that the scheme creditors approved the BVI Scheme by the requisite number of votes; and

xiv) caused Olinda to seek BVI Court approval of the BVI Scheme and provided evidence in connection with those hearings.

3. Exclusion of Olinda from the RJ Proceeding and Corresponding Shift to BVI-Centered Restructuring

16. More than a year ago, when the First Ch. 15 Proceeding was commenced, the JPLs supported Olinda's initial attempts to restructure through the Brazilian RJ Proceeding and further supported a finding of COMI in Brazil.[16] However, following the Brazilian Court of Appeals'

[16] *See* Constellation Recognition Decision at 254 ("It is the understanding of the BVI JPLs that Brazil is the *principal estabelecimento* or 'principal place of business' of the Chapter 15 Debtors' group for purposes of Brazilian law, and that Brazil is the 'centre of main interests' or 'COMI' of each of the BVI Debtors for the purposes of U.S. restructuring law."); *see also id.* at 263 ("The JPLs have been appointed with respect to each of Lone Star, Gold Star, Olinda Star, and Alpha Star, and function to protect the interests of the collective creditors of each. They have expressed support for the Brazilian RJ Proceeding and for a finding of COMI in Brazil for each of these BVI Debtors.") (internal citations omitted).

decision to uphold the exclusion of Olinda from the RJ Proceeding, the JPLs concluded that the only practical course of action for the efficient restructuring of Olinda's Prior 2024 Notes Guarantee would be through a BVI plan or scheme of arrangement. This conclusion was re-enforced by the advice from Brazilian counsel retained by the Constellation Group that the resolution of any appeal to the Superior Court of Justice of Brazil on the issue of Olinda's exclusion from the RJ Proceeding could take years to be decided.

17. As a result of this change in course, the JPLs took the following steps in aid of the efficient restructuring of Olinda. *Supra* ¶ 15(ix)-(xv). The JPLs participated in negotiations with the PSA Parties and their advisors to facilitate Olinda's restructuring in the BVI. *Supra* ¶ 15(ix). In connection therewith, the JPLs considered, reviewed and commented on the Olinda Term Sheet and BVI Scheme, and authorized Olinda to enter into the Olinda Term Sheet and put forward the BVI Scheme to its creditors. *Supra* ¶¶ 15(x)-(xi). The Petitioner engaged with creditors in respect of the BVI Scheme, including by serving as a point of contact for questions and overseeing the dissemination of scheme materials. *Supra* ¶ 15(xii). The Petitioner also caused Olinda to request the convening of the Scheme Meeting, chaired that meeting, and caused Olinda to seek approval of the BVI Scheme from the BVI Court. *Supra* ¶¶ 15(xiii)-(xiv). These steps were not contemplated at the time of the JPLs' initial appointment in December 2018, but were rather undertaken in connection with the shift to restructuring Olinda through a BVI-centered process. Accordingly, the JPLs now support the restructuring of Olinda's Prior 2024 Notes Guarantee through the BVI Scheme, and further support a finding of COMI in the BVI.

III. EXPECTATIONS OF OLINDA'S CREDITORS AND THEIR SUPPORT FOR THE BVI PROCEEDING AND BVI SCHEME

18. As this Court has found, the exchange offering documentation made clear that several entities within the Constellation Group were incorporated in and subject to the laws of the

BVI and that noteholders could have reasonably foreseen BVI proceedings affecting the Constellation Group's BVI-incorporated debtors. *In re SPC*, 600 B.R. at 284.[17] In line with this finding, following the exclusion of Olinda from the Brazilian RJ Proceeding, the ad hoc group of 2024 Noteholders that had entered into the PSA (the "**Consenting 2024 Noteholders**"), along with the other PSA Parties conferred with Olinda and its affiliates as to how best to restructure the Prior 2024 Notes Guarantee in the BVI. The JPLs participated in this negotiation process through counsel.

19. On August 5, 2019, following negotiations, Olinda and certain of the PSA Parties, including the Consenting 2024 Noteholders, entered into the Olinda Term Sheet, which provided for the restructuring of Olinda in the BVI. The offering memorandum issued on July 17, 2019 in connection with a rights offering for certain of the Restructured 2024 Notes (the "**Rights Offering Memorandum**"),[18] further confirmed that Olinda was subject to provisional liquidation in the BVI and intended to restructure its guarantee in the BVI. Ex. 1 at 5, 103 ("Olinda Star intends to restructure its indebtedness in a way that mirrors the RJ Proceedings (to the extent possible) by way of a restructuring process that is permissible under BVI law. Olinda Star remains in provisional liquidation and the joint provisional liquidators appointed on December 19, 2018 by the BVI court remain in place."). Furthermore, the New Indentures[19] expressly include the

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[17] On December 7, 2018 certain consenting lenders (the "**A/L/B Lenders**"), that are party to a secured syndicated project finance credit facility to finance three of Olinda's affiliate drillships (the "**A/L/B Project Financings**"), filed a statement to the effect that they had always historically operated under the assumption that the COMI of each of the debtors in the First Ch. 15 Proceeding was and remained in Brazil. *In re SPC* (Bankr. S.D.N.Y. Dec. 7, 2018) [ECF No. 8], at 3. They also expressed their support for a finding of COMI in Brazil. *Id.* However, Olinda was neither a party nor an obligor with respect to the A/L/B Project Financings. The A/L/B Lenders in their capacity as a party to the PSA, are also party to the Olinda Term Sheet.

[18] Attached hereto as Exhibit 1 is a copy of the Rights Offering Memorandum.

[19] Attached hereto as Exhibit 2 are relevant excerpts from the Participating Notes Indenture.

insolvency laws of the BVI in definitions of bankruptcy laws, so noteholders would have been on notice that an insolvency proceeding of Olinda could be centralized in the BVI. Ex. 2.

20. Thus, from at least mid-2019, the PSA Parties, including the majority of Olinda's scheme creditors, have expected that the Prior 2024 Notes Guarantee will be restructured in the BVI. To that end, the PSA Parties, including the Consenting 2024 Noteholders and their U.S. and BVI counsel, have been in regular contact with the JPLs and their advisors concerning the implementation of the Olinda Term Sheet. The JPLs, along with their U.S. and BVI counsel, have prepared for the meeting of Olinda's scheme creditors and responded to queries from those creditors in the months leading up to the meeting. The Petitioner, in her capacity as JPL, served as the point of contact for creditor inquiries and chaired the scheme meeting. The BVI Scheme received overwhelming support from the scheme creditors and was approved by 100% of scheme creditors present and voting, which represented scheme creditors holding in aggregate 82.99% of value. BVI Counsel Decl. Ex. H.

IV. OVERVIEW OF THE BVI SCHEME

A. Overview of schemes of arrangement under BVI law

21. A scheme of arrangement is a statutory, court-supervised arrangement between a company and its creditors. BVI Counsel Decl. ¶ 33. It is a collective procedure as a duly-approved scheme becomes binding on all creditors, whether or not they (a) attended the meeting, (b) voted at the meeting, or (c) voted against the scheme. *Id.* The statutory framework for a BVI law scheme of arrangement was derived from, and remains substantially similar to procedures existing under, English law. *Id.*

22. Olinda's creditors have, by 100% of scheme creditors present and voting (and by 82.99% of total value), approved entry by Olinda into the BVI Scheme. BVI Counsel Decl. Ex.

H. The BVI Court has sanctioned (*i.e.*, "approved") that Scheme. BVI Counsel Decl. ¶¶ 40, 42; BVI Counsel Decl. Ex. J (the "**BVI Sanction Order**"). All that remains for the BVI Scheme to become effective is for this Court to grant the relief requested herein, upon which the JPLs cause the BVI Scheme to be filed with the BVI Registrar of Companies (the "**BVI Registrar**"). BVI Counsel Decl. ¶ 43. The BVI Scheme will become effective as soon as it is filed with the BVI Registrar. *Id.*

1. Overview of the process by which the BVI Scheme was approved by creditors and sanctioned by the BVI Court

23. The process for approval of a BVI scheme of arrangement commences when the debtor company, through its directors, passes a resolution to enter into a scheme of arrangement with its creditors. *Id.* ¶ 34. Where, as here, the company is in provisional liquidation such a resolution requires the prior approval of the provisional liquidators. *Id.* In considering whether to allow a scheme to proceed, the provisional liquidators will consider whether the scheme secures a better return for the company's creditors than they would otherwise receive in a liquidation. *Id.* If satisfied, the provisional liquidators will authorize the company to begin the process of approving and implementing the scheme, subject to the provisional liquidators' oversight and ultimate control. *Id.*

24. Here, as set forth above, the JPLs were instrumental in overseeing the negotiation and documentation of the BVI Scheme, pursuant to their duties as representatives of the collective interests of Olinda's creditors. Indeed, the Olinda Term Sheet required that the arrangement to restructure Olinda's debts be in form and substance reasonably satisfactory to the JPLs. BVI Counsel Decl. Ex. J at 136. On December 13, 2019, the JPLs, having concluded that entry into the BVI Scheme was in the interests of Olinda's creditors, authorized Olinda's sole director to pass

the resolution necessary to commence the approval process for the BVI Scheme, and counter-signed that resolution. BVI Counsel Decl. ¶ 34; BVI Counsel Decl. Ex. G.

25. Next, with prior approval of the provisional liquidators, an application must be made to the BVI Court to request that the Scheme Meeting be convened (the "**Convening Hearing**"). BVI Counsel Decl. ¶ 35. At the Convening Hearing, the BVI Court sets the date, time and location of the Scheme Meeting and proscribes the notice procedures to be followed. *Id.* Here, on December 13, 2019, Olinda, pursuant to the authorization of the JPLs, applied to the BVI Court and requested that the Convening Hearing be scheduled. *Id.* On December 20, 2019, the BVI Court issued an order on the papers (the "**Convening Order"**) scheduling the Scheme Meeting for January 14, 2020. *Id.*; BVI Counsel Decl. Ex. D. The Convening Order also provided that creditors must receive copies of the notice convening the Scheme Meeting and the BVI Scheme (together, the "**Scheme Documents**") at least 14 days prior to the Scheme Meeting. BVI Counsel Decl. ¶ 35; BVI Counsel Decl. Ex. D. A copy of the notice convening the Scheme Meeting is attached hereto as Exhibit 3.

26. Pursuant to the Convening Order, the Petitioner directed the posting of advertisements of the Scheme Meeting on the Constellation Group's website and distribution of the same to Olinda's scheme creditors. BVI Counsel Decl. ¶¶ 36-37, 39. The Petitioner directed that copies of the Scheme Documents be provided to the Depository Trust Company ("**DTC**") for distribution to Olinda's creditors. The Scheme Documents were sent to DTC on December 27, 2019 and made available to scheme creditors through DTC's legal notice system on January 2, 2020. BVI Counsel Decl. Ex. H ¶¶ 15-18. Further, on December 31, 2019, a copy of the Scheme Documents were posted on the restricted section of the Constellation Group's website (which would only have been accessible to its creditors), and on January 7, 2020, the Scheme Documents

were posted on a publicly available section of the Constellation Group's website. BVI Counsel Decl. Ex. H ¶ 15. This is the same website where documents were posted in connection with the Brazilian RJ Proceeding and therefore known to creditors of the Constellation Group.

27. The BVI Court also appoints a person to chair the Scheme Meeting and fairly implement the scheme, if approved (the "**Scheme Administrator**"). BVI Counsel Decl. ¶ 37. In this instance, the BVI Court appointed the Petitioner as Scheme Administrator, thereby extending the scope of the Petitioner's fiduciary duties to include oversight of the implementation of the BVI Scheme. *Id.*

28. On January 14, 2020, the Petitioner, in her capacity as JPL and chair of the Scheme Meeting, convened the Scheme Meeting. *Id.* ¶ 38. She then exercised her authority to adjourn the Scheme Meeting to February 6, 2020 (the "**Adjourned Scheme Meeting**") to ensure that all creditors received adequate notice of the Scheme Meeting. BVI Counsel Decl. Ex. H ¶ 28. The Petitioner ensured that notice of the Adjourned Scheme Meeting along with the documents to be considered at the Adjourned Scheme Meeting (the "**Final Scheme Documents**") were made available through DTC and via the Constellation Group's public website. BVI Counsel Decl. ¶ 39; BVI Counsel Decl. Ex. H ¶¶ 24-27. The Final Scheme Documents were uploaded to the Group's public website and to DTC's legal notice system on January 10, 2020.[20] BVI Counsel Decl. Ex. H ¶¶ 25-26. Creditors were informed that all voting and proxy forms that had already been provided would be retained and accepted at the Adjourned Scheme Meeting, unless the JPLs were informed otherwise. BVI Counsel Decl. ¶ 39.

29. For a scheme to be approved by the BVI Court, it must be approved by a majority in number representing 75% in value of the creditors or class of creditors or members or class of

[20] A copy of the Final Scheme Documents is attached to the BVI Sanction Order (BVI Counsel Decl. Ex. J).

members present and voting either in person or by proxy at the meeting. *Id.* ¶ 40. Those who attend the Scheme Meeting have an opportunity to ask questions and make representations. *Id.* The Scheme Meeting was reconvened on February 6, 2020. *Id.*; BVI Counsel Decl. Ex. H ¶ 35. At the Scheme Meeting, 100% of the scheme creditors present or voting by proxy voted to approve the Scheme, representing 82.99% by value of the total debt subject to the BVI Scheme. BVI Counsel Decl. ¶ 40; BVI Counsel Decl. Ex. H ¶¶ 36-37.

30. Once a scheme is duly approved by creditors at the Scheme Meeting, the next step is to obtain BVI Court sanction of the BVI Scheme (the "**Sanction Hearing**"). BVI Counsel Decl. ¶ 41. While the Sanction Hearing appears in the court list and persons with a legitimate interest can attend and make representations to the BVI Court, the BVI Business Companies Act, 2004, does not require that scheme creditors be served with notice of the outcome of the Scheme Meeting or the scheduling of the Sanction Hearing. *Id.* However, to ensure that all scheme creditors had a full and fair opportunity to attend the Sanction Hearing, on February 6, 2020, the Petitioner caused a notice to be served on all scheme creditors via DTC notifying them that: (i) the BVI Scheme had been approved by the scheme creditors; (ii) the Sanction Hearing was scheduled to be held on February 25, 2020; and (iii) "any interested person may appear at the Sanction Hearing." *Id.*; BVI Counsel Decl. Ex. I. The Petitioner also caused the same notice to be posted to the Group's public website. BVI Counsel Decl. ¶ 41.

31. At the Sanction Hearing, the BVI Court's role is not to assess the commercial benefits of the scheme. Nor, however, is BVI Court approval of a scheme of arrangement a "rubber stamp" exercise. *Id.* ¶ 42. Rather, at the Sanction Hearing, the applicant must demonstrate (usually through an affidavit of the Scheme Administrator) that (i) the relevant statutory requirements have been met; (ii) the classes of creditors were properly identified; (iii) each class was fairly

represented by those attending the scheme meeting and the statutory majority was acting in the *bona fide* interests of the class; and (iv) it would be reasonable to approve the scheme. *Id.*

32. The BVI Court held the Sanction Hearing on February 25, 2020 and, based on the evidence submitted by the Scheme Administrator, approved the Scheme of Arrangement. *Id.*; BVI Counsel Decl. Ex. J. No scheme creditor or any party objected to the issuance of the Sanction Order.

33. Once the BVI Court sanctions a scheme of arrangement, the Scheme Administrator may then ensure that it is filed with the BVI Registrar. BVI Counsel Decl. ¶ 43. A scheme will become effective upon such filing. *Id.*

2. The purpose of the BVI Scheme

34. The purpose of Olinda's BVI Scheme is to restructure Olinda's guarantee obligations "so that they mirror the debtor restructuring of the RJ Debtors in the RJ Plan in an efficient and timely manner in order to secure a better return for [Olinda's] creditors than they would otherwise receive in a liquidation." BVI Counsel Decl. Ex. J, BVI Scheme § 4.1. As set forth above, Olinda is a guarantor and grantor pursuant to the Prior 2024 Notes Guarantee. Olinda's value derives from its long-term contract with a large Indian oil and gas company, not from the scrap value of the *Olinda Star* rig. Accordingly, it is unlikely that Olinda's creditors (the holders of the Prior 2024 Notes) would recover more in a liquidation wherein the contract would be terminated and the rig sold, than through a restructuring of Olinda's debts. Through a successful restructuring of Olinda, the rig will continue to operate and generate revenue, not only for the life of the existing contract but through subsequent contracts as well. Furthermore, a failure to restructure the Prior 2024 Notes Guarantee would result in Olinda incurring a financial penalty in the form of additional interest on the Restructured 2024 Notes, which would impose a financial

burden on the Constellation Group. It is therefore not surprising that all creditors that voted on the Scheme voted in favor of Olinda's restructuring.

35. In essence, the BVI Scheme seeks to accomplish the following key objectives:

i) release Olinda from the Prior 2024 Notes Guarantee and terminate all other obligations under the Prior 2024 Notes Indenture and the Prior 2024 Notes;

ii) allow Olinda to accede to the Participating 2024 Notes Indenture, the Stub 2024 Notes Indenture and the Non-Participating Notes Indenture in accordance with the terms set out therein and become a guarantor under the Restructured 2024 Notes pursuant to the terms of the guarantee set forth in each of the foregoing indentures (the "**New 2024 Notes Guarantee**");

iii) release all of the security over the assets granted by Olinda and over the shares of Olinda in relation to the Prior 2024 Notes;

iv) allow Olinda to grant new security over the assets and shares of the company in accordance with the Restructured 2024 Notes; and

v) allow Olinda to guarantee the obligations of affiliate Constellation Overseas Ltd. under working capital and letter of credit facilities provided by Banco Bradesco S.A., secured by the same collateral as the Restructured 2024 Notes in accordance with the priorities set forth therein and pursuant to an intercreditor agreement between, among others, Constellation Overseas Ltd. and the indenture trustee of the Restructured 2024 Notes.[21]

36. Following the implementation of the BVI Scheme and the granting of the New 2024 Notes Guarantee, the former holders of the Prior 2024 Notes (Olinda's sole financial creditor constituency) will have received new notes on substantially the same terms as the Prior 2024 Notes, but with certain modifications, including an enhanced collateral package for the Participating 2024 Noteholders, more restrictive covenants on the Constellation Group and an increased interest rate. None of Olinda's other creditors are impacted by the BVI Scheme.[22]

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[21] Pursuant to the RJ Plan, Bradesco agreed to maintain its existing letters of credit and provide a new term loan to the Constellation Group in the total amount of $10 million in consideration for the same collateral package pledged to the 2024 Noteholders, with priority as set forth in the RJ Plan.

[22] While Olinda also has trade creditors, they are not subject to the BVI Scheme as they are being paid in the ordinary course.

V. CONNECTIONS TO THE UNITED STATES

37. The Prior 2024 Notes and Restructured 2024 Notes are governed by a New York law indenture, which contemplates New York as a venue for disputes. Olinda also maintains the Escrow Account at White & Case LLP in New York.

JURISDICTION, ELIGIBILITY AND VENUE

38. This Court has jurisdiction to consider the Verified Petition pursuant to sections 157 and 1334 of title 28 of the United States Code, as well as the Amended Standing Order of Reference dated January 31, 2012, Reference M-431, *In re Standing Order of Reference Re: Title 11*, 12 Misc. 00032 (S.D.N.Y. Feb. 2, 2012) (Preska, C.J.).

39. This chapter 15 proceeding has been properly commenced with respect to the Debtor in accordance with sections 1504 and 1509(a) of the Bankruptcy Code by the filing of the Verified Petition. This is a core proceeding pursuant to section 157(b)(2)(P) of title 28 of the United States Code.

40. Venue is proper in this Court pursuant to section 1410(1) of title 28 of the United States Code, as the principal U.S. assets of the Debtor (including $1,000.67 in cash maintained in the Escrow Account) are located within New York County and thus within this District. Moreover, venue is proper in this Court pursuant to section 1408(2) of title 28 of the United States Code, as there is a jointly administered pending chapter 15 case concerning the Debtor's affiliates in this District. *See In re Serviços de Petróleo Constellation S.A.*, 18-13952 (MG) (Bankr. S.D.N.Y.).

41. The presence of assets within the United States renders the Debtor eligible to file this chapter 15 proceeding pursuant to section 109(a) of the Bankruptcy Code. *See Drawbridge Special Opportunities Fund LP v. Barnet (In re Barnet)*, 737 F.3d 238, 247-51 (2d Cir. 2013) (applying section 109(a)'s local property requirement to chapter 15 cases); s*ee also* Constellation

Recognition Decision at 268-69 (finding that the debtor's New York law-governed prepetition debt obligations and a per-entity $1,000 retainer in New York bank accounts satisfied section 109(a) and the venue requirements of section 1410(1) of title 28 of the United States Code); *In re Avanti Commc'ns Grp. PLC*, 582 B.R. 603, 611 (Bankr. S.D.N.Y. 2018) (Glenn, J.) (finding that the "property in the United States" requirement of section 109(a) is satisfied by a New York law-governed indenture); *In re Inversora Eléctrica de Buenos Aires S.A.*, 560 B.R. 650, 655 (Bankr. S.D.N.Y. 2016) (Glenn, J.) ("[D]ollar-denominated debt subject to New York governing law and a New York forum selection clause is independently sufficient to form the basis for jurisdiction.").

BASIS FOR RELIEF

I. THE PETITIONER HAS SATISFIED THE REQUIREMENTS FOR RECOGNITION OF THE BVI PROCEEDING

A. The Requirements of Section 1517(a) of the Bankruptcy Code are Satisfied

42. Under section 1517(a) of the Bankruptcy Code, subject to the public policy exception contained in section 1506, a foreign proceeding must be granted chapter 15 recognition if each of the following three requirements are met: (1) such foreign proceeding is a foreign main proceeding or foreign nonmain proceeding within the meaning of section 1502; (2) the foreign representative applying for recognition is a person or body; and (3) the petition meets the requirements of section 1515. Constellation Recognition Decision at 269; *see also In re Ocean Rig UDW Inc.*, 570 B.R. 687, 698-99 (Bankr. S.D.N.Y. 2017). As set forth below, the Petitioner satisfies each of the requirements of section 1517(a) and the BVI Proceeding should be recognized as a foreign main proceeding or, alternatively, as a foreign nonmain proceeding.

1. The BVI Proceeding is a "Foreign Proceeding"

43. The BVI Proceeding satisfies the definition of "foreign proceeding" as required by section 1517(a)(1) of the Bankruptcy Code. Section 101(23) defines a "foreign proceeding" as

(1) a collective judicial or administrative proceeding under a law relating to insolvency or adjustment of debt, (2) pending in a foreign country, (3) in which the assets and affairs of the debtor are subject to control or supervision of a foreign court, and (4) for the purpose of reorganization or liquidation. 11 U.S.C. § 101(23).

44. The BVI Proceeding is a collective judicial proceeding pending in the BVI under the supervision of the BVI Court, in which the rights of creditors vis-à-vis the company are administered together. *Supra* ¶¶ 7, 9. It was commenced pursuant to the Insolvency Act, which, together with the BVI Business Companies Act, 2004 (the "**BVI Acts**") provide the legislative framework in the BVI for insolvency and the adjustment of debt of companies. *Supra* ¶¶ 10; BVI Counsel Decl. ¶ 13. The assets and affairs of Olinda are overseen by the JPLs, who have ultimate corporate authority with respect to actions outside the ordinary course of business. *Supra* ¶ 12. The JPLs are officers of the BVI Court, and are subject to the BVI Court's supervision. *Supra* ¶¶ 7, 9. The JPLs have a fiduciary duty to consider the interests of creditors as a whole in administering the affairs of Olinda and treat creditors in a fair and even handed manner. BVI Counsel Decl. ¶ 29. The JPLs are administering the BVI Proceeding for the purpose of restructuring Olinda's debts pursuant to the BVI Scheme, which is a collective, BVI court-supervised arrangement between Olinda and its scheme creditors. *Supra* ¶ 21.

45. This Court has previously recognized provisional liquidation proceedings as "foreign proceedings" in offshore jurisdictions that have analogous English-law based restructuring frameworks.[23] *See, e.g.*, *In re Ocean Rig*, 570 B.R. at 702 (Cayman provisional liquidation and scheme of arrangement); *In re Suntech Power Holdings Co*., 520 B.R. 399 (Bankr.

[23] The BVI Proceeding is the first "soft-touch" joint provisional liquidation proceeding to be commenced in the BVI, so reference is made to similar proceedings in analogous jurisdictions.

S.D.N.Y. 2014) (Cayman provisional liquidation); *In re LDK Solar Co*., No. 14-12387 (PJW) (Bankr. D. Del. Nov. 21, 2014), ECF Nos. 43, 44 (Cayman provisional liquidation and scheme of arrangement).[24]

2. The Petitioner is the proper Foreign Representative

46. A chapter 15 case is properly commenced by the filing of a petition for recognition by a "foreign representative." *See* 11 U.S.C. §§ 1504, 1515(a). The Bankruptcy Code defines a "foreign representative" as "a person or body, including a person or body appointed on an interim basis, authorized in a foreign proceeding to administer the reorganization or the liquidation of the debtor's assets or affairs or to act as a representative of such foreign proceeding." 11 U.S.C. § 101(24). U.S. courts, including this Court, have previously found that offshore provisional liquidators qualify as "foreign representatives." *See, e.g.*, *In re Ocean Rig*, 570 B.R. at 701 (recognizing Cayman Islands joint provisional liquidators as foreign representatives); *accord In re Fairfield Sentry Ltd.*, No. 10 Civ. 7311 (GBD), 2011 U.S. Dist. LEXIS 105770, at *8 (S.D.N.Y. Sept. 15, 2011) ("**Fairfield Sentry I**") (noting that it was undisputed that BVI provisional liquidators were foreign representatives).

47. The Petitioner is an individual and therefore a "person" as defined under 11 U.S.C. § 101(41). The Petitioner was appointed and is duly authorized and empowered by the BVI Court

[24] While the U.S. Bankruptcy Code does not include provisions explicitly authorizing schemes of arrangement, U.S. bankruptcy courts, including this Court, have found that foreign schemes of arrangement satisfy section 101(23)'s definition of a collective judicial proceeding providing for the adjustment of debt that qualifies for recognition. *In re Ocean Rig*, 570 B.R. at 695 (noting that Cayman schemes are collective judicial proceedings commenced under a statute applicable to corporate insolvencies or the adjustment of debt, that the joint provisional liquidators are officers of the court and subject to its control, that the debtor's assets and affairs are subject to the court's control, and that the purpose of the scheme is reorganization); *In re Avanti*, 582 B.R. at 613 ("Schemes of arrangement under UK law have routinely been recognized as foreign proceedings in chapter 15 cases.") (collecting cases); *see also In re Lloyd*, No. 05-60100, 2005 Bankr. LEXIS 2794, at *6 (Bankr. S.D.N.Y. Dec. 7, 2005) (recognizing UK scheme as foreign main proceeding); *In re Bd. of Dirs. of Hopewell Int'l Ins. Ltd*., 238 B.R. 25, 48-49 (Bankr. S.D.N.Y. 1999) (recognizing UK scheme as foreign main proceeding under chapter 15 precursor, section 304).

to (i) administer the provisional liquidation of Olinda's assets and affairs, (ii) implement the BVI Scheme in her capacity as JPL and Scheme Administrator, (iii) and serve as foreign representative in this chapter 15 case. *Supra* ¶¶ 12-13, 27 . The Petitioner is also an officer of the BVI Court. *Supra* ¶ 7. The Petitioner is thus a proper "foreign representative" within the meaning of section 101(24) with respect to Olinda, and section 1517(a)(2) is satisfied.

3. The Petition meets the additional requirements of section 1515 and Bankruptcy Rule 1007(a)(4)

48. Recognition of a foreign proceeding further requires that the petition meet the filing requirements of section 1515 of the Bankruptcy Code. *See* 11 U.S.C. § 1517(a)(3). Sections 1515(b) and (c) require that a recognition petition include a certified copy of the decision commencing the foreign proceeding and appointing the foreign representative, as well as a statement identifying all foreign proceedings with respect to the debtor that are known to the foreign representative. *See* 11 U.S.C. § 1515(b), (c). The Petitioner has satisfied these requirements. This Verified Petition was filed pursuant to section 1515(a) and includes all disclosures and documents required by sections 1515(b) and (c). *See* BVI Counsel Decl. Ex. B; Ex. 4.[25]

49. The Foreign Representative has also satisfied the additional filing requirements set forth in Bankruptcy Rule 1007(a)(4), by filing: (a) corporate ownership statements containing the information described in rule 7007.1 of the Bankruptcy Rules, as required by Bankruptcy Rule 1007(a)(4)(A); and (b) lists containing the names and addresses of all person or bodies authorized to administer the foreign proceedings of the Debtor and all parties to litigation pending in the United States in which the Debtor is a party at the time of the filing of the Petition. *See* Ex. 5; Ex.

[25] A copy of Petitioner's statement pursuant to 11 U.S.C. § 1515(c) is attached hereto as Exhibit 4.

6.[26] This chapter 15 case was properly commenced with respect to the Debtor in accordance with sections 1504, 1509(a) and 1515.

B. Olinda's BVI Proceeding Satisfies the Requirements for Recognition as a "Foreign Main Proceeding"

50. Before granting recognition, the Court must first determine whether the BVI Proceeding constitutes either a main or nonmain proceeding with respect to Olinda. Section 1502 defines a "foreign main proceeding" as a "foreign proceeding pending in the country where the debtor has the center of its main interests." 11 U.S.C. § 1502(4). While the Bankruptcy Code does not define "center of main interests," section 1516(c) provides that, in the absence of evidence to the contrary, a debtor's registered office or habitual residence "is presumed to be the center of the debtor's main interests." 11 U.S.C. § 1516(c). The legislative history indicates that this presumption was "designed to make recognition as simple and expedient as possible" in cases where COMI is not controversial. H. Rep. No. 109-31, pt. 1, at 112-13 (2005). However, the COMI presumption is rebuttable. Constellation Recognition Decision at 272; *see also In re Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd.*, 389 B.R. 325, 335 (S.D.N.Y. 2008) ("[S]ection 1516(c) creates no more than a rebuttable evidentiary presumption, which may be rebutted notwithstanding a lack of party opposition.").

51. The Second Circuit made clear that COMI is determined as of the time of the chapter 15 filing. *See Morning Mist Holdings Ltd. v. Krys (In re Fairfield Sentry Ltd.)*, 714 F.3d 127, 137 (2d Cir. 2013) ("**Fairfield Sentry II**") ("[A] debtor's COMI should be determined based on its activities at or around the time the Chapter 15 petition is filed."); *In re Betcorp Ltd.,* 400 B.R. 266, 291 (Bankr. D. Nev. 2009) ("[I]nquiry into the debtor's past interests" could "lead to a

[26] A copy of Olinda's corporate ownership statement is attached hereto as Exhibit 5, and a copy of Petitioner's statement of authorized persons pursuant to Fed. R. Bankr. P. 1007(a)(4)(B) is attached hereto as Exhibit 6.

denial of recognition in a country where a debtor's interests are truly centered and thereby frustrates . . . the purposes of COMI inquiry."). However, to the extent that a debtor's COMI has shifted prior to filing its chapter 15 petition, courts may engage in a more "holistic analysis" to ensure that the debtor has not manipulated COMI in bad faith. *In re Ocean Rig*, 570 B.R. at 704. In conducting such an analysis, however, a court should not conduct an inquiry into a "debtor's entire operational history," but may rather find it appropriate to examine the period between the filing of the chapter 15 petition and the commencement of the underlying foreign proceeding, in order to ascertain whether a debtor had manipulated its COMI improperly. *Fairfield Sentry II*, 714 F.3d at 134, 137; *accord In re Oi Brasil Holdings Cooperatief U.A.*, 578 B.R. 169, 196 (Bankr. S.D.N.Y. 2017); *Lavie v. Ran (In re Ran)*, 607 F.3d 1017, 1025 (5th Cir. 2010).

52. In assessing whether the registered office presumption withstands scrutiny, courts in this district have developed a "widely adopted" list of non-exclusive factors for determining COMI, which, while not to be applied mechanically, are helpful in assessing an entity's COMI. Constellation Recognition Decision at 272. The *SPhinX* court explained:

> Various factors, singly or combined, could be relevant to such a [COMI] determination: [1] the location of the debtor's headquarters; [2] the location of those who actually manage the debtor (which, conceivably could be the headquarters of a holding company); [3] the location of the debtor's primary assets; [4] the location of the majority of the debtor's creditors or of a majority of the creditors who would be affected by the case; [5] and/or the jurisdiction whose law would apply to most disputes (the "**SPhinX Factors**").

In re SPhinX, LTD., 351 B.R. 103, 117 (Bankr. S.D.N.Y. 2006).

53. When determining the "location of those who actually manage the debtor," courts consider more than the location of the board of directors of the debtor. Constellation Recognition Decision at 273 (finding that the analysis of the location of management should be "flexible" and reflect the realities of a particular business). Notably, courts consider the activities of liquidators

and provisional liquidators in their COMI analyses. *In re Ocean Rig*, 570 B.R. at 706 (finding debtors' COMI in the Cayman Islands as "the site where their business [had been] run" by joint provisional liquidators pursuant to a protocol with the directors); *Fairfield Sentry I*, 2011 U.S. Dist. LEXIS 105770, at *20 , *aff'd*, 714 F.3d 127 (2d Cir. 2013) (finding COMI in the BVI where BVI liquidators had been "directing and coordinating" the debtor's affairs since their appointment); *In re Betcorp Ltd*., 400 B.R. at 292 (finding COMI in Australia where "[t]he location of those that manage Betcorp – the liquidators" were located); *In re Suntech*, 520 B.R. at 418 (finding COMI in the Cayman Islands where joint provisional liquidators had "centralized the administration of the Debtor's affairs and its restructuring"). Indeed, courts have held that "the commencement of a provisional liquidation may have a profound effect on the business of the debtor." *In re Suntech*, 520 B.R. at 417. This is because provisional liquidation *inter alia* "triggers a restructuring process on which the survival of the debtor's traditional business may depend." *Id.*

54. Additionally, in determining a debtor's COMI, the Second Circuit and this Court have examined the expectations of creditors and interested parties. Constellation Recognition Decision at 262 (considering the expectation of the 2024 Noteholders as the "key creditor constituency of the offshore drilling rigs"); *Fairfield Sentry II*, 714 F.3d at 130 ("The relevant principle . . . is that the COMI lies where the debtor conducts its regular business, so that the place is ascertainable by third parties."). In order to protect creditors' and interested parties' interests, courts ask whether a COMI would have been ascertainable to such parties. *In re Millennium Glob. Emerging Credit Master Fund Ltd.*, 474 B.R. 88, 93 (S.D.N.Y. 2012) ("**Millennium Glob. II**"). Creditor and third party expectations are determined by "objective evidence," including evidence "that could provide interested parties with notice that a debtor's COMI was in a particular jurisdiction other than the place of its registered office." Constellation Recognition Decision at

274.[27] Creditor expectations may shift over time. Indeed, the activities of a joint provisional liquidator over a significant period may cause creditors to look to that person's jurisdiction as the debtor's COMI. *See, e.g.*, *In re British Am. Isle of Venice, Ltd.*, 441 B.R. 713, 723 (Bankr. S.D. Fla. 2010) (finding BVI liquidator's "concerted efforts on behalf of the Debtor, and the extended passage of time" to necessarily result in third parties considering the BVI to be the debtor's COMI). Creditor support for or acquiescence to a proposed COMI is also a separate relevant factor in the court's COMI assessment. *SPhinX*, 351 B.R. at 117.

55. As of the date of this petition, the statutory presumption that Olinda's COMI lies in the BVI is consistent with reality. While Olinda's sole director resides in the Cayman Islands, its operational management team is located in Brazil, its treasury function is located in Panama, and its sole drilling rig is operating in the Indian Ocean, the JPLs have centralized Olinda's restructuring in the BVI. *Supra* ¶¶ 2, 5 . For over a year, Olinda has been in provisional liquidation and under the supervision of the BVI Court and its BVI Court-appointed provisional liquidators. *Supra* ¶¶ 5, 10. The JPLs have actively exercised the authority conferred upon them by the BVI Court. *Supra* ¶ 15. Pursuant to the order of the BVI Court appointing the JPLs (the "**BVI Appointment Order**") they have, *inter alia*, (i) kept apprised of Olinda's general operations; (ii) retained BVI counsel from whom they have regularly sought advice; (iii) reviewed and commented on Olinda's draft board resolutions, court filings and other documents concerning Olinda's restructuring; and (iv) supported various BVI Court applications. *Supra* ¶¶ 14-15.

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[27] Additionally, some courts have employed the concept of "principal place of business" to guide their COMI analysis and, accordingly, have applied the Supreme Court's definition of that concept, which looks at a corporation's "nerve center," *i.e.*, "where a corporation's officers direct, control, and coordinate the corporation's activities." *See Fairfield Sentry II*, 714 F.3d at 138 n.10 (quoting *Hertz Corp. v. Friend*, 559 U.S. 77, 78 (2010). The nerve center analysis is not a "straightforward standard when applied to most international conglomerates [but] it can provide a helpful reminder that courts should not perfunctorily rely upon the place of incorporation or location of board meetings to establish the corporation's ultimate COMI." Constellation Recognition Decision at 276.

56. Moreover, the JPLs played a pivotal role in effecting Olinda's BVI restructuring and overseeing the non-ordinary course transactions undertaken in connection therewith. *Supra* ¶¶ 14-15. As set forth above, the JPLs participated in negotiations between Olinda and the PSA Parties to facilitate Olinda's restructuring in the BVI. *Supra* ¶ 15. They also took the steps they deemed necessary to satisfy themselves that the BVI Scheme was in the best interests of creditors and, following such determination, caused the BVI Scheme to be put forward to creditors and ultimately the BVI Court for approval. *Supra* ¶ 15. Throughout the BVI Scheme process, the JPLs oversaw the dissemination of notices and documents to scheme creditors and extensively engaged with creditors, responding to their questions and requests for information. *Supra* ¶ 15. The Petitioner, in her capacity as Scheme Administrator and JPL, is now further tasked by the BVI Court with implementing the BVI Scheme. *Supra* ¶ 27. While the Petitioner resides in the Cayman Islands, her authority to act for Olinda emanates squarely from orders of the BVI Court and her ability to act is contingent upon the ongoing appointment of BVI-resident provisional liquidator, Mr. Pretlove. *Supra* ¶¶ 9, 11. Petitioner exercises joint authority with Mr. Pretlove and is in regular contact with him. *Supra* ¶ 11. Mr. Pretlove has access to the BVI Virtual Integrated Registry and Regulatory General Information Network ("**VIRRGIN**") and is responsible for filings, including filing the registration of the Scheme and the discharge of the JPLs on VIRRGIN. Mr. Pretlove is also the point of contact for liaising with the BVI Financial Services Commission (the regulator of BVI licensed insolvency practitioners), for the purposes of providing updates in respect of Olinda's provisional liquidation and has provided updates to this regulatory body in that regard. Mr. Pretlove has also been involved in strategy discussions in respect of Olinda's provisional liquidation, and has reviewed and commented on the JPLs' reports and filings with the

BVI Court. At all times during his appointment, Mr. Pretlove was resident in the BVI. *Supra* ¶ 11.

57. This Court in *In re Ocean Rig* previously encountered the challenge of ascertaining the COMI of a special purpose financial vehicle in an international drilling business that conducted its business throughout the world, principally on the high seas. 570 B.R. at 704. The Court noted that "the nature of the Group's business and the mobility of their assets complicate the COMI analysis" but ultimately found that the debtors' COMI was in the Cayman Islands, which, like the BVI in this case, was the "the site where their business [had been] run" by the provisional liquidators and directors. *Id.* at 704, 706. This case bears further similarity to *Ocean Rig* in that Mr. Pearson is the sole director of the debtor and the Petitioner is one of the JPLs. BVI Counsel Decl. ¶ 24. As set forth above, Mr. Pearson and the JPLs have managed the affairs of Olinda pursuant to the BVI Insolvency Protocol, which was approved by the BVI Court in the BVI Proceeding and is substantially similar to the protocol entered into in the *Ocean Rig* case. *Supra* ¶ 14. Here, as in *Ocean Rig*, the activities of the JPLs in overseeing the restructuring of Olinda weigh heavily in favor of a finding of COMI in the BVI.[28]

58. The statutory presumption that Olinda's COMI is in the BVI is also consistent with the expectations of Olinda's creditors and other interested parties. In the First Ch. 15 Proceeding this Court found that the 2024 Noteholders were "aware of the ultimate reality described in the Notes—that the Constellation Group is a highly integrated group of companies with . . . several of

[28] As set forth above, the sole director of Olinda, Michael Pearson, resides in the Cayman Islands, while the Petitioner resides in the Cayman Islands and Mr. Pretlove resides in the BVI. Although the Petitioner does not reside in the BVI, her actions since her appointment as JPL have been taken in the BVI as described below and arise under authority conferred by the BVI Court. While, as in *Ocean Rig*, this is a "soft-touch" provisional liquidation that grants Mr. Pearson the authority to continue to conduct the ordinary business operations of Olinda, the JPLs have been very active in facilitating Olinda's BVI-based restructuring process. *Supra* ¶¶ 12-17.

its subsidiaries place of incorporation in the BVI." Constellation Recognition Decision at 284. Thus, as at the petition date of the First Ch. 15 Proceeding this Court held that the 2024 Noteholders "could have reasonably foreseen" the BVI Proceedings. *Id.* As at the date of this Petition, the expectations of Olinda's creditors of a BVI COMI had crystallized. By the time this Petition was filed, the BVI Proceedings had been in progress for more than a year. *Supra* ¶¶ 5, 10. The appointment of the JPLs had been advertised, and a suffix had been added to Olinda's name in relevant filings with this Court indicating that it is in provisional liquidation, putting those who had dealings with Olinda on notice to correspond with the JPLs. BVI Counsel Decl. ¶ 30. The JPLs, both directly and through counsel, have engaged in numerous communications with Olinda's scheme creditors. *Supra* ¶ 15. Moreover, a majority of the 2024 Noteholders—Olinda's only scheme creditor constituency—had expressly required Olinda to centralize its restructuring in the BVI. *Supra* ¶¶ 18-19. Indeed, the Consenting 2024 Noteholders bargained for that outcome pursuant to the Olinda Term Sheet and agreed to be bound by it. The Consenting 2024 Noteholders and the PSA Parties allowed the RJ Plan to close without Olinda because of Olinda's agreement to restructure the Prior 2024 Notes Guarantee in the BVI. *Supra* at 3. Furthermore, as at the date of this Petition, Olinda's BVI Scheme had been approved unanimously by all scheme creditors that voted on it, representing 82.99% in value. BVI Counsel Decl. Ex. H. Accordingly, as at the date of this filing, Olinda's scheme creditors firmly understood Olinda's COMI to be in the BVI.

59. "If anything weighs heavily" in favor of a particular COMI "it is the factor of creditor support." Constellation Recognition Decision at 284. As the *SPhinX* Court explained, "[b]ecause their money is ultimately at stake, one generally should defer . . . to the creditors' acquiescence in or support of a proposed COMI . . . [they] can . . . best determine how to maximize the efficiency of a . . . reorganization and, ultimately, the value of the debtor…." 351 B.R. at 117.

Olinda's scheme creditors overwhelmingly support Olinda's BVI restructuring. The BVI Scheme was approved by 100% of scheme creditors present and voting, and 82.99% of the scheme creditors by total value. Moreover, the Consenting 2024 Noteholders funded $27 million of new money pursuant to the Rights Offering on the understanding that the Prior 2024 Notes Guarantee would be restructured in the BVI pursuant to the Olinda Term Sheet. *Supra* ¶¶ 18-19. No creditor has opposed recognition of the BVI Proceeding or the enforcement of the BVI Scheme and thus this factor weighs heavily in favor of finding COMI in the BVI. "[T]he case law asks the Court to look at a spectrum of factors—including nonboard management, the location of assets, the expectations of creditors, [and] the desires of creditors[.]" Constellation Recognition Decision at 286. Based on this spectrum of factors, assessed at the time of this filing, Olinda's COMI is the BVI.

C. In the Alternative, the Court Should Find that Olinda's BVI Proceeding is at Least a "Foreign Nonmain Proceeding"

60. Courts will recognize a foreign proceeding as a "foreign nonmain proceeding" if "the debtor has an establishment within the meaning of section 1502 in the foreign country where the proceeding is pending." 11 U.S.C. § 1517(b)(2). Section 1502(2) defines "[e]stablishment" as "any place of operations where the debtor carries out a nontransitory economic activity[,]" *In re Millennium Glob. Emerging Credit Master Fund Ltd.*, 458 B.R. 63, 70 (Bankr. S.D.N.Y. 2011), *aff'd* 474 B.R. 88 (S.D.N.Y. 2012) ("**Millennium Glob. I**"), and courts have required proof of more than a "mail-drop presence," Constellation Recognition Decision at 277 (citation omitted); 11 U.S.C. § 1502(2). At least one court has—noting the "paucity of U.S. authority" on the subject—favorably cited a "persuasive" English law holding that the presence of an asset and minimal management or organization can suffice to create an establishment, *Millennium Glob. I*, 458 B.R. at 84-85.

61. As with COMI, whether the debtor has an "establishment" in a country must be determined at the time of filing the chapter 15 petition. *See Beveridge v. Vidunas (In re O'Reilly)*, 598 B.R. 784, 803 (Bankr. W.D. Pa. 2019) (adopting *Fairfield Sentry* and *Ran* findings that "the presumptive date from which [a c]ourt is to ascertain [a] debtor's center of main interests and/or establishment is the date the [c]hapter 15 petition was filed"). Several factors "contribute to identifying an establishment: the economic impact of the debtor's operations on the market, the maintenance of a 'minimum level of organization' for a period of time, and the objective appearance to creditors whether the debtor has a local presence." *Millennium Glob. I*, 458 B.R. at 85. A showing of impact of the debtor's activities on the foreign jurisdiction involves a "showing of a local effect on the marketplace," *In re Creative Fin., Ltd. (In Liquidation*), 543 B.R. 498, 520 (Bankr. S.D.N.Y. 2016),[29] evidenced by, among other things, engagement of "local counsel and commitment of capital to local banks," *Millennium Glob. I*, 458 B.R. at 86-67. At least one court has also found that the presence of liquidators is relevant to the determination of whether a debtor has an establishment in that location. *See e.g.*, *Millennium Glob. I*, 458 B.R. at 86 (finding that Bermuda proceedings should be recognized as foreign main proceedings or, in the alternative, foreign nonmain proceedings, after considering, among other factors, the fact that the liquidators are subject to the control of the court in Bermuda); *Millennium Glob. II*, 474 B.R. at 94 (affirming *Millennium Glob. I* and noting, *inter alia*, that "Bermuda is where the liquidation proceedings are taking place, under the supervision of the Bermuda court").

[29] In *Creative Finance*, the Court found that the minimal acts performed by the liquidator were insufficient to support a BVI establishment. Those concerns are inapplicable to this case. Olinda's JPLs have carried out substantial activity since their appointment and have diligently undertaken the tasks that the BVI Court authorized them to perform. Moreover, the *Creative Finance* court premised its decision on certain findings of bad faith, which are not present here.

62. In this case, the BVI is not merely a letterbox jurisdiction for Olinda. More than a year has passed since the appointment of the BVI Court-appointed JPLs, and the JPLs have centralized Olinda's restructuring activities in the BVI. They have directed creditors and other interested parties to correspond with them using their BVI contact details,[30] entered into a court-sanctioned protocols in respect of Olinda, have supported numerous filings and applications to the BVI Court (including for sanction of the BVI Scheme), and have had an effect on the local marketplace through their retention of BVI counsel. These actions are sufficient to, at a minimum, support the finding of an "establishment" in the BVI.

63. Denying recognition of Olinda's BVI Proceeding as either a foreign main or nonmain proceeding would leave Olinda without access to U.S. courts. Olinda will not have an effective means of restructuring its guarantee without the relief requested herein. Such a result would be at odds with the purpose of chapter 15 of the Bankruptcy Code—to engender cooperation among foreign courts with respect to restructuring and insolvency proceedings. *See Millennium Glob. I*, 458 B.R. at 69, 81-82. Moreover, a failure to restructure the Prior 2024 Notes Guarantee may have ramifications on the entire Constellation Group's restructuring because it could trigger a default under the New Indentures.

II. THE COURT SHOULD GRANT THE PETITIONER'S REQUEST FOR DISCRETIONARY RELIEF PURSUANT TO SECTION 1521, 1507 AND 105 OF THE BANKRUPTCY CODE

64. The Petitioner requests that pursuant to sections 1521(a), 1507 and 105 of the Bankruptcy Code, the Court (i) grant full force and effect to the BVI Scheme within the territorial jurisdiction of the United States; (ii) issue a permanent injunction enjoining actions that would

[30] Due to weather-related telecommunication issues in the BVI, all BVI staff operated with a Cayman telephone number.

interfere with the implementation of the BVI Scheme and BVI Sanction Order, (iii) direct the Directed Parties (defined below) to take any and all lawful actions that may be necessary to give effect to and implement the BVI Scheme and (iv) exculpate the JPLs (including, for the avoidance of doubt, the Petitioner as Scheme Administrator) and Directed Parties from liability on the terms set forth in the Proposed Order. Constellation Recognition Decision at 272 ("[O]nce the decision to grant recognition is made, principles of comity and the provisions of chapter 15 can provide substantially similar relief to a debtor—whether a proceeding is recognized as main or nonmain."); *see also In re SPhinX, Ltd*., 351 B.R. at 122. Granting this relief is appropriate, particularly in the interest of giving comity to the decision of the BVI court to sanction Olinda's scheme.

A. Applicable Standards

65. Upon recognition of a foreign proceeding, section 1521(a) of the Bankruptcy Code authorizes the Court to grant "any appropriate relief" to a foreign representative "where necessary to effectuate the purpose of [chapter 15] and to protect the assets of the debtor or the interests of the creditors," provided that the interests of creditors and other interested entities are sufficiently protected. 11 U.S.C. §§ 1521(a), 1522(a). This Court has explained "sufficient protection" as "embodying three basic principles":

> [T]he just treatment of all holders of claims against the bankruptcy estate, the protection of U.S. claimants against prejudice and inconvenience in the processing of claims in the [foreign] proceeding, and the distribution of proceeds of the [foreign] estate substantially in accordance with the order prescribed by U.S. law.

In re Atlas Shipping A/S, 404 B.R. 726, 740 (Bankr. S.D.N.Y. 2009) (Glenn, J.) (quoting *In re Artimm, S.r.L*., 335 B.R. 149, 160 (Bankr. C.D. Cal. 2005)).

66. Pursuant to section 1507, the Court may also grant discretionary relief to provide additional assistance beyond that permitted under section 1521 to a foreign representative. 11 U.S.C. § 1507(a); H. Rep. No. 109-31, pt. 1, at 109 (2005). In exercising discretion to grant

relief under section 1507(a), courts are guided by the standards set forth in section 1507(b), which provides that:

> (b) In determining whether to provide additional assistance under this title or under other laws of the United States, the court shall consider whether such additional assistance, consistent with the principles of comity, will reasonably assure —
>
> a. just treatment of all holders of claims against or interests in the debtor's property;
>
> b. protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in such foreign proceeding;
>
> c. prevention of preferential or fraudulent dispositions of property of the debtor;
>
> d. distribution of proceeds of the debtor's property substantially in accordance with the order prescribed by this title; and
>
> e. if appropriate, the provision of an opportunity for a fresh start for the individual that such foreign proceeding concerns.

11 U.S.C. § 1507(b).[31] Additionally, section 105(a) provides that the "court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

67. "In deciding whether to grant appropriate relief or additional assistance under chapter 15, courts are guided by principles of comity and cooperation with foreign courts." *In re Avanti*, 582 B.R. at 616; *In re Atlas Shipping*, 404 B.R. at 738. The Supreme Court has held that

[31] The interplay between the relief available under sections 1507 and 1521 is "far from clear." *See In re Atlas Shipping*, 404 B.R. at 741. The Fifth Circuit set forth a three-part analysis to aid courts in assessing which provision to use in granting relief in chapter 15 cases. *Ad Hoc Grp. of Vitro Noteholders v. Vitro SAB De CV (In re Vitro S.A.B. de C.V.)*, 701 F.3d 1031, 1054 (5th Cir. 2012). Under this approach, courts first consider the relief specified in sections 1521(a) and (b), and, if the relief requested is not provided there, consider whether the relief falls more generally under section 1521's grant of "any appropriate relief." *Id*. "Appropriate relief" is "relief previously available under Chapter 15's predecessor, § 304." *Id.*; *In re Atlas Shipping A/S*, 404 B.R. at 726; *In re Oi S.A.*, No. 16-11791, 2018 Bankr. LEXIS 2053, at *29 (Bankr. S.D.N.Y. July 9, 2018). Finally, "[o]nly if a court determines that the relief requested was not formerly available under § 304 should a court consider whether relief would be appropriate as 'additional assistance' under § 1507." *Vitro*, 701 F.3d at 1054. It is open to the Court, however, to separately conclude whether relief is available under section 1507 and, if it is, the Court need not decide whether the "any appropriate relief" language in section 1521 would also provide a basis for relief. *In re Sino-Forest Corp*., 501 B.R. 655, 663 n.3 (Bankr. S.D.N.Y. 2013) (Glenn, J.).

a foreign judgment should not be challenged in the U.S. if the foreign forum provides: "[A] full and fair trial abroad before a court of competent jurisdiction, conducting the trial upon regular proceedings, after due citation or voluntary appearance of the defendant, and under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other countries, and there is nothing to show either prejudice in the court, or in the system of laws under which it [is] sitting . . . ." *Hilton v. Guyot*, 159 U.S. 113, 202-03 (1895); *see also Victrix S.S. Co., S.A. v. Salen Dry Cargo A.B.*, 825 F.2d 709, 713 (2d Cir. 1987) ("Federal courts generally extend comity whenever the foreign court had proper jurisdiction and enforcement does not prejudice the rights of United States citizens or violate domestic public policy.").

B. This Court Should, in the Exercise of Comity, Enforce the BVI Scheme and the BVI Sanction Order within the Territorial Jurisdiction of the United States

68. This Court has previously held that "appropriate relief" under section 1521 or "additional assistance" under section 1507 may include recognizing and enforcing a foreign scheme of arrangement in the exercise of comity. *In re Ocean Rig*, No. 17-10736 (MG) (Bankr. S.D.N.Y. Aug. 22, 2017) [ECF No. 122] (enforcing Cayman scheme of arrangement); *In re Avanti*, 582 B.R. 603 (enforcing UK scheme of arrangement); *In re Cell C Proprietary Ltd.*, 571 B.R. 542, 551 (Bankr. S.D.N.Y. 2017) (Glenn, J.) (enforcing South African scheme of arrangement); *In re Tokio Marine Eur. Ins. Ltd.*, No. 11-13420, 2011 Bankr. LEXIS 5805 (Bankr. S.D.N.Y. Sept. 8, 2011) (recognizing and enforcing an English scheme of arrangement); *In re Highlands Ins. Co. (U.K.) Ltd.*, No. 07-13970, 2009 Bankr. LEXIS 5744 (Bankr. S.D.N.Y. Aug. 18, 2009) (same).

69. Here, recognizing and enforcing the BVI Scheme and the BVI Sanction Order is necessary and appropriate. The United States and BVI share the same common law traditions and fundamental principles of law, including an emphasis on procedural fairness. *Supra* ¶ 6. Olinda's

creditors received ample notice of the existence of Olinda's provisional liquidation proceedings, the JPLs advertised their appointment and, from the date of the JPLs' appointment, a suffix was added to Olinda's name in all filings with this Court indicating that it was in provisional liquidation to ensure that those who have dealings with Olinda were on notice that it was subject to provisional liquidation in the BVI. *Supra* ¶ 15; BVI Counsel Decl. ¶ 30. Although a creditor or other interested party with standing may apply to the BVI Court to challenge the appointment of the provisional liquidator, none has. BVI Counsel Decl. ¶¶ 30, 42. Moreover, scheme creditors received ample notice of Olinda's proposed entry into the BVI Scheme via the DTC and through the Constellation Group's public website. *Supra* ¶¶ 26, 28, 30. Such creditors had a full and fair opportunity to vote on and be heard in connection with the BVI Scheme, in a manner that is consistent with U.S. standards of due process. *Supra* ¶¶ 26, 28, 30. No scheme creditor was prejudiced because it was foreign-based. BVI Counsel Decl. ¶¶ 15, 40. The JPLs oversaw the approval and implementation of the BVI Scheme of Arrangement, in their capacity as officers of the BVI Court and fiduciaries tasked with protecting the collective interests of all creditors. *Supra* ¶¶ 27, 44. Finally, the BVI Court has approved the BVI Scheme. *Supra* ¶ 32. It issued the BVI Sanction Order after notice and a hearing, having found *inter alia* that the requirements of BVI law and the Convening Order were met. *Supra* ¶¶ 31-32. The matters considered by the BVI Court, in approving the BVI Scheme, including notice and disclosure requirements and the proper classification of creditors, reflect similar sensitivity to issues of due process and just treatment of creditors considered by U.S. bankruptcy courts in approving plans of reorganization. *Supra* ¶ 31. Accordingly, this Court should grant comity to the BVI Scheme and BVI Sanction Order.

C. This Court Should Grant a Permanent Injunction Barring Claims Against Olinda to Prevent Irreparable Harm and Support the Proper Implementation of the BVI Scheme

70. U.S. bankruptcy courts, including this Court, have granted permanent injunctions in numerous chapter 15 cases—including with respect to nonmain proceedings—to support the proper implementation of a scheme of arrangement. *See, e.g.*, *In re Ocean Rig*, No. 17-10736 (MG) (Bankr. S.D.N.Y. Sept. 20, 2017) [ECF No. 153] (permanently enjoining all entities from taking *inter alia* any action inconsistent with Cayman schemes or against released parties); *In re Avanti*, 582 B.R. at 619 (enjoining parties from taking any action inconsistent with the Scheme in the United States, including giving effect to the releases set out in the English scheme); *In re Winsway Enters. Holdings Ltd*., No. 16-10833 (MG) (Bankr. S.D.N.Y. June 16, 2016) [ECF No. 22] ¶ 5(b) (Glenn, J.) (permanently enjoining creditors of nonmain debtor from commencing any suit, action or proceeding in the territorial jurisdiction of the United States to settle any dispute arising out of or relating to Hong Kong scheme of arrangement); *In re Tokio Marine Eur. Ins. Ltd*., 2011 Bankr. LEXIS 5805, at *84 (permanently enjoining creditors from taking any actions in contravention of or inconsistent with the terms of the English scheme of arrangement); *In re Highlands Ins. Co. (U.K.) Ltd*., 2009 Bankr. LEXIS 5744, at *5 (same).

71. Pursuant to section 1521(e), the federal standard for injunctive relief, which requires a party to show that it is likely to suffer irreparable harm in the absence of an injunction, applies in chapter 15 cases. 11 U.S.C. § 1521(e); *MF Glob. Holdings Ltd. v. Allied World Assurance Co. (In re MF Glob. Holdings Ltd.)*, 562 B.R. 55, 64 (Bankr. S.D.N.Y. 2017) (Glenn, J.). In the context of the enforcement of a foreign confirmation order, there is threat of irreparable harm where the orderly determination of claims against a debtor and the fair distribution of its assets could be disrupted. *See, e.g.*, *Cunard S.S. Co. v. Salen Reefer Servs. AB*, 773 F.2d 452, 458

(2d Cir. 1985) ("Unless all parties in interest, wherever they reside, can be bound by the arrangement which it is sought to have legalized, the scheme may fail.") (citation omitted).

72. Unless this Court issues the requested permanent injunction, one or more persons or entities may take action that is inconsistent with or in contravention of the terms of the BVI Scheme, including seeking to enforce the accelerated Prior 2024 Notes Guarantee against Olinda in New York. Such action would interfere with, and cause harm to, the administration of the BVI Scheme, as it may jeopardize Olinda's contracts and would deplete Olinda's resources. As a result, Olinda and its creditors are exposed to irreparable injury for which there is no adequate remedy at law, in the absence of an injunction. Thus, if the Petitioner is successful on the merits in obtaining an order granting comity to the BVI Scheme, a permanent injunction should issue to support its proper implementation.

D. This Court Should Direct the Directed Parties to Take the Required Actions under the BVI Scheme and BVI Sanction Order

73. The Petitioner also seeks assistance from the Court in directing the Directed Parties[32] to carry out all actions required of them pursuant to the BVI Scheme. Such actions may include but are not limited to (i) cancelling the Prior 2024 Notes Guarantee and related security over the assets granted by Olinda and over the shares of Olinda, including on the records of DTC, Euroclear and Clearstream; (ii) terminating all obligations under the Prior 2024 Notes Indenture and the Prior 2024 Notes, (iii) allowing the Olinda to accede to the New Indentures in accordance with the terms set out therein and become a guarantor under the Restructured 2024 Notes pursuant

[32] Collectively, the Directed Parties are (i) Eleanor Fisher in her capacity as a provisional liquidator of the Debtor and scheme administrator of the BVI Scheme; (ii) Paul Pretlove in his capacity as a provisional liquidator of the Debtor; (iii) Wilmington Trust, National Association ("**Wilmington Trus**t"), in its capacity as the indenture trustee of the Prior 2024 Notes, the Restructured 2024 Notes and as indenture trustee under the Prior 2024 Notes Indenture and the New Indentures; (iv) the Depository Trust Company ("**DTC**") in its capacity as record holder of the Prior 2024 Notes and the Restructured 2024 Notes; and (iv) Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**").

to the terms of the guarantee set forth in each of the New Indentures, (iv) delivering the New 2024 Notes Guarantee and other related documentation to creditors as provided for by the New Indentures, and (v) cancelling the dollar-for-dollar escrow position established at DTC in respect of claims of the Prior 2024 Notes.[33] Without an order from a U.S. Court, the Directed Parties may resist taking such actions. By granting the Petitioner's request for directions, the Court will give clear direction and authority under US law to the necessary parties to carry out the provisions of the BVI Scheme, and thereby benefit Olinda and its creditors.

74. Courts, including this court, have granted similar requests for direction in other chapter 15 cases. *In re Inversora Eléctrica de Buenos Aires S.A.,* 560 B.R. 650, 657 (Bankr. S.D.N.Y. 2016) (Glenn, J.) (granting order directing DTC and indenture trustee to carry out the ministerial actions necessary to consummate the foreign order); *In re Lupatech S.A*., No. 16-11078 (MG) (Bankr. S.D.N.Y. 2016) [ECF Nos. 38, 44] (same).

E. This Court should Exculpate the Directed Parties and JPLs from Liability in Connection with the Implementation of the BVI Scheme

75. The Petitioner requests that this Court grant comity to the exculpation provision set forth in the BVI Scheme and that the JPLs and their respective employees, advisors and attorneys be exculpated and released from liability for actions or omissions in connection with the consummation of the BVI Scheme, other in respect of any acts or omissions that are determined by a final order to have constituted gross negligence, fraud, or willful misconduct. The BVI Scheme provides for the exculpation of the Scheme Administrator and her respective advisors as follows:

[33] The dollar-for-dollar escrow position represents the 2024 Noteholders' claims vis-à-vis Olinda under the Existing 2024 Notes Guarantee and is in place until the Existing 2024 Notes Guarantee is fully restructured. The holders cannot trade out of this position, and it will be cancelled upon Olinda's restructuring by Olinda's accession to the New Indentures, which will reflect the holders' rights under the escrow positions.

> The Scheme Administrator and their respective advisers (legal, financial or otherwise) shall not incur any personal liability of any kind under, or by virtue of the restructuring of the Company's debts, this Scheme, or in relation to any related matter or claim, whether in contract, tort or restitution or by reference to any other remedy or right, in any jurisdiction or forum, save for in respect of fraud committed by them.

BVI Counsel Decl. Ex. J, BVI Scheme § 22.2.

76. Estate fiduciaries and their functional equivalents regularly receive exculpations as such orders are necessary to give decision-makers an appropriate measure of freedom to find solutions in situations of extreme financial distress. *In re DBSD N. Am., Inc.*, 419 B.R. 179, 217 (Bankr. S.D.N.Y. 2009), *aff'd*, 427 B.R. 245 (S.D.N.Y 2010), *aff'd in part*, *rev'd in part*, 627 F.3d 496 (2d Cir. 2010) (explaining "[e]xculpation provisions are frequently included in chapter 11 plans, because stakeholders all too often blame others for failures to get the recoveries they desire; seek vengeance against other parties; or simply wish to second guess the decisionmakers in the chapter 11 case."); *In re Ocean Rig*, No. 17-10736 (MG) (Bankr. S.D.N.Y. Aug. 22, 2017) [ECF Nos. 122, 153] (permanently enjoining litigation against the joint provisional liquidators of the debtors and any of their respective successors, assigns, agents, representatives, officers, directors, advisors or attorneys); *In re CGG S.A.*, No. 17-11636 (MG) (Bankr. S.D.N.Y. Dec. 21, 2017) [ECF No. 25], at 9 (granting release to all parties for following the terms of the order except in the case of the party's own gross negligence or willful misconduct). The JPLs have fiduciary obligations to Olinda's creditors and serve as officers of the BVI Court. *Supra* ¶¶ 11, 27. The requested exculpations of the JPLs and their advisors are narrowly tailored to liability under or by virtue of the BVI Scheme or restructuring of Olinda's debts. BVI Counsel Decl. Ex. J, BVI Scheme § 22.1. The exculpations are necessary and appropriate to prevent interference with the consummation of the BVI Scheme, and in particular the issuance of the New 2024 Notes Guarantee because without

such exculpations the ability of the JPLs and their advisors to take action to effectuate the restructuring would be limited.[34]

77. The Petitioner further requests that this Court exculpate Wilmington Trust, in its capacity as the indenture trustee of the Prior 2024 Notes, the Restructured 2024 Notes and as indenture trustee under the Prior 2024 Notes Indenture and the New Indentures; DTC in its capacity as record holder of the Prior 2024 Notes and the Restructured 2024 Notes; and Euroclear and Clearstream; and their respective successors, assigns, agents, representatives, officers, directors, advisors and attorneys from any liability for any action or inaction taken in furtherance of and/or in accordance with this chapter 15 case, the Proposed Order, the BVI Sanction Order, the BVI Proceeding, and the BVI Scheme, except for any liability arising from any action or inaction constituting gross negligence, fraud or willful misconduct as determined by this Court.

78. Courts routinely exculpate indenture trustees and the DTC from liability in order to prevent interference with the issuance of new instruments. *See e.g.*, *In re SPC* (Bankr. S.D.N.Y. Dec. 5, 2019) [ECF No. 192], at 14; *In re Oi S.A.*, No. 16-11791 (SHL) (Bankr. S.D.N.Y. June 15, 2018) [ECF No. 277], at 9 (exculpating and releasing indenture trustees, record holders, custodians, exchange agents, tabulation and acceptance agents, administrative agents and settlement agents); *In re PT Bumi Res. TBK,* No. 17-10115 (MKV) (Bankr. S.D.N.Y. Mar. 17, 2017) [ECF No. 17], at 7 (same); *In re PT Berlian Laju Tanker TBK*, No. 13-10901 (SMB) (Bankr. S.D.N.Y. Jan. 8, 2015) [ECF No. 43], at 7 (same). Such relief is necessary and appropriate here

[34] To the extent that the Court considers that the requested non-debtor exculpations are not eligible for enforcement pursuant to section 1521, enforcing the exculpation provisions of the BVI Scheme under section 1507 is proper in the exercise of comity, having regard to the matters set forth above at paragraphs 62-67. *In re Avanti*, 582 B.R. at 606 ("The issue in chapter 15 cases then is whether to recognize and enforce the foreign court order based on comity."); *Sino-Forest Corp*., 501 B.R. at 661-62 (same); *In re Metcalfe & Mansfield Alt. Invs.*, 421 B.R. 685, 697 (Bankr. S.D.N.Y. 2010) (citing *Salen Reefer*, 773 F.2d at 457) (the "key determination" in whether to grant comity to releases is whether the procedures used in the foreign jurisdiction meet American "fundamental standards of fairness.").

to ensure that the Prior 2024 Notes Guarantee and related security is properly cancelled, and the New 2024 Notes Guarantee and related security is duly issued.

III. RECOGNITION OF THE BVI PROCEEDINGS AND ENFORCEMENT OF THE BVI SCHEME OF ARRANGEMENT WOULD NOT BE MANIFESTLY CONTRARY TO U.S PUBLIC POLICY

79. Section 1506 provides that a bankruptcy court may decline to grant relief requested if the action would be "manifestly contrary to the public policy of the United States." 11 U.S.C. §§ 1506, 1517(a). This public policy exception is "narrowly construed." *In re Sino-Forest Corp.*, 501 B.R. at 665; *In re Toft*, 453 B.R. 186, 195 (Bankr. S.D.N.Y. 2011) ("[T]hose courts that have considered the public policy exception codified in [section] 1506 have uniformly read it narrowly and applied it sparingly."). The BVI Proceeding and BVI Scheme have provided for the orderly administration of the affairs of Olinda under the supervision of the BVI Court, consistent with the public policy of the United States embodied by the Bankruptcy Code. *Supra* ¶¶ 6-9, 21-33. Recognition of the BVI Proceeding and enforcement of the BVI Scheme of advances the public policy objectives of sections 1501(a) and 1508. The purpose of chapter 15, as noted in section 1501(a), is to facilitate cross-border insolvency cases, and section 1508 directs courts, in interpreting chapter 15, to consider its international origins. 11 U.S.C. §§ 1501(a), 1508. Recognition of the BVI Proceeding and enforcement of the BVI Scheme would facilitate not only the BVI-based restructuring of Olinda, but would ensure that the Brazil-based restructuring of the larger Constellation Group is not jeopardized. Nothing has transpired in the course of the BVI Proceedings or arises under the BVI Acts that touches upon the policy concerns underlying section 1506 and thus the Court may grant the requested relief.

NOTICE

80. Notice of the Verified Petition has been provided to the parties (the "**Notice Parties**") set forth in Exhibit B annexed hereto (the "**Notice List**"). The Petitioner respectfully submits that no other or further notice is required.

CONCLUSION

81. WHEREFORE, the Petitioner respectfully requests that the Court grant the Verified Petition and enter the Proposed Order annexed hereto as Exhibit A (i) recognizing Olinda's BVI Proceeding as a foreign main proceeding or, alternatively, a foreign nonmain proceeding; (ii) recognizing the Petitioner as the "foreign representative" of the BVI Proceeding; (iii) granting full force and effect and comity to the BVI Scheme, and (iv) granting such other relief as the Court deems just and proper to facilitate the implementation of the BVI Scheme.

Dated: March 6, 2020
New York, New York

Respectfully submitted,

WHITE & CASE LLP

By: /s/*John K. Cunningham*
John K. Cunningham

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Attorneys for Eleanor Fisher, as Petitioner and Foreign Representative

VERIFICATION OF CHAPTER 15 PETITION

Pursuant to 28 U.S.C. § 1746, I, Eleanor Fisher, declare as follows:

I am the authorized foreign representative of the Debtor with respect to the BVI Proceeding for purposes of this Chapter 15 Case. I declare under penalty of perjury that the factual contents of the foregoing Verified Petition, as well as the factual contents of each of the attachments and appendices thereto, are true and accurate to the best of my knowledge, information and belief, and I respectfully represent as follows:

- I have over 20 years of experience in both London and, since 2002, the Cayman Islands, the British Virgin Islands ("**BVI**") and Bermuda where I have led complex financial restructurings and the insolvencies of offshore companies. I am a fellow of the Institute of Chartered Accountants in England and Wales and a Cayman Islands qualified insolvency practitioner. I have a Bachelor of Science in international business and modern languages from Aston University.

- I have been involved in a number of court supervised matters (including official and provisional liquidations) since 2002. I acted as provisional liquidator of offshore drilling contractor Ocean Rig UDW Inc. and certain of its subsidiaries to oversee the successful restructuring of its debt obligations.

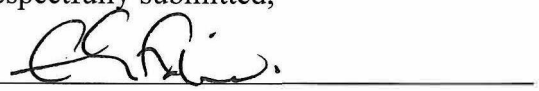
- On 19 December 2018 the BVI Commercial Court (the "**BVI Court**") appointed me to the position of provisional liquidator of Olinda Star Ltd. ("**Olinda**") in the provisional liquidation proceeding of Olinda pending before the BVI Court pursuant to section 170 of the BVI Insolvency Act, 2003 of the laws of the British Virgin Islands.

- On 20 December 2019, the BVI Court issued an order authorizing me to act as Olinda's foreign representative for the purposes of any proceedings commenced in the United States under chapter 15 of the U.S. Bankruptcy Code and elsewhere under the relevant local laws. As such, I have full authority to verify the foregoing Petition on behalf of Olinda and take related action.

Unless otherwise indicated, all facts set forth in this Verified Petition are based upon: (a) my review of relevant information, data and documents (including oral information) furnished to me by the Company and its legal advisors; (b) information supplied to me by the Debtor's officers, directors, employees, and professionals; or (c) my analyses of the information I have received on the Debtor's operations and financial condition. I have also been kept abreast of major discussions with stakeholders, including the Debtor's primary financial creditors and its shareholders. I am an individual over the age of 18. If I am called to testify, I will do so competently and based on the facts set forth herein.

Dated: March 6, 2020

Respectfully submitted,



Eleanor Fisher

EXHIBIT A

Proposed Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	
	)	Case No. 20-10712
Olinda Star Ltd.,	)	
	)	
Debtor in a Foreign Proceeding.	)	Chapter 15
	)	

ORDER GRANTING VERIFIED PETITION FOR RECOGNITION OF BVI PROCEEDING AND REQUEST FOR RELIEF PURSUANT TO 11 U.S.C. §§ 105(A), 1507(A), 1521(A), AND 1525(A)

Upon the Petitioner's Declaration and Verified Petition for Recognition of the BVI Proceeding and Motion for Order Granting Related Relief (the "**Verified Petition**")[1] [ECF No. 2 dated March 6, 2020, Eleanor Fisher (the "**Petitioner**" or the "**Foreign Representative**"), in her capacity as the duly-authorized foreign representative of the BVI Proceeding (as defined below) of the above-captioned debtor (the "**Debtor**"), requesting this Order (the "**Order**") (a) granting the Verified Petition and recognizing the Debtor's BVI joint provisional liquidation proceeding (the "**BVI Proceeding**") and the Debtor's BVI scheme of arrangement (the "**BVI Scheme**") pending before the BVI Commercial Court (the "**BVI Court**") pursuant to section 170 of the BVI Insolvency Act, 2003 (the "**BVI Act**") of the laws of the British Virgin Islands (the "**BVI**"), as the foreign main proceeding for the Debtor pursuant to section 1517 of title 11 of the United States Code (the "**Bankruptcy Code**"), and all relief included therewith as provided in section 1520 of the Bankruptcy Code; (b) recognizing the Petitioner as the foreign representative, as defined in section 101(24) of the Bankruptcy Code, of the BVI Proceeding for the Debtor; (c) giving full force and effect and granting comity in the United States to the BVI Scheme and the BVI Sanction

[1] Capitalized terms used but not otherwise defined shall have the meanings ascribed to them in the Verified Petition.

Order and (d) granting such other and further relief as the Court deems just and proper; and it appearing that this Court has jurisdiction to consider the Verified Petition pursuant to sections 157 and 1334 of title 28 of the United States Code and the Amended Standing Order of Reference dated January 31, 2012, Reference M-431, In re Standing Order of Reference Re: Title 11, 12 Misc. 00032 (S.D.N.Y. Feb. 1, 2012) (Preska, C.J.) (the "**Amended Standing Order**"); and this being a core proceeding pursuant to section 157(b)(2)(P) of title 28 of the United States Code; and venue for this proceeding being proper before this Court pursuant to section 1410 of title 28 of the United States Code; and this Court having reviewed (i) the Form of Voluntary Petition, (ii) the Verified Petition, along with the exhibits annexed thereto, and (iii) the *Declaration of Grant Carroll Pursuant to 28 U.S.C. § 1746* (the "**BVI Counsel Declaration**") filed herewith, along with the exhibits annexed thereto, and (iv) the statements of counsel with respect to the Verified Petition at a hearing before this Court (the "**Hearing**"); and appropriate and timely notice of the filing of the Verified Petition and the Hearing having been given; and no other or further notice being necessary or required; and this Court having determined that the legal and factual bases set forth in the Verified Petition, the BVI Counsel Declaration, and all other pleadings and papers in this case establish just cause to grant the relief ordered herein; and after notice and a hearing and due deliberation thereon;

THIS COURT HEREBY FINDS AND DETERMINES THAT:

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as

such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction to consider this matter pursuant to sections 157 and 1334 of title 28 of the United States Code, and the Amended Standing Order. This is a core proceeding pursuant to section 157(b)(2)(P) of title 28 of the United States Code. Venue for this proceeding is proper before this Court pursuant to section 1410 of title 28 of the United States Code.

C. The Petitioner is the duly appointed "foreign representative," within the meaning of section 101(24) of the Bankruptcy Code, of the BVI Proceeding with respect to the Debtor.

D. This chapter 15 case was properly commenced pursuant to sections 1504, 1509, and 1515 of the Bankruptcy Code.

E. The Petitioner has satisfied the requirements of section 1515 of the Bankruptcy Code, Bankruptcy Rules 1007(a)(4), 2002(q) and 7007.1, and Rules 2002-4 and 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York (the "**Local Rules**").

F. The BVI Proceeding is a "foreign proceeding" pursuant to section 101(23) of the Bankruptcy Code.

G. The BVI Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

H. The center of main interests ("**COMI**") of the Debtor is in the BVI. Accordingly, the BVI Proceeding is the "foreign main proceeding" of the Debtor, as that term is defined in section 1502(4) of the Bankruptcy Code, and is entitled to recognition as such pursuant to section 1517(b)(1) of the Bankruptcy Code.

I. The relief granted hereby is necessary and appropriate to effectuate the purposes and objectives of chapter 15 and to protect the Debtor, its creditors and other parties in interest.

J. The relief granted hereby: (i) is necessary and appropriate in the interests of the public and international comity; (ii) is consistent with the public policy of the United States; (iii) is available and warranted pursuant to sections 105(a), 1507(a), 1521(a), and 1525(a) of the Bankruptcy Code; and (iv) will not cause the Debtor's creditors or other parties in interest any hardship that is not outweighed by the benefits of granting the relief herein.

K. Absent the relief requested, the Debtor may be subject to the prosecution of judicial, quasi-judicial, arbitration, administrative or regulatory actions or proceedings in connection with a claim against the Debtor thereby interfering with, and causing harm to, the Debtor, its creditors, and other parties in interest in the BVI Proceedings and, as a result, the Debtor, its creditors, and such other parties in interest would suffer irreparable injury for which there is no adequate remedy at law.

L. Appropriate notice of the filing of and the Hearing on the Verified Petition was given, which notice is deemed adequate for all purposes, and no other or further notice need be given.

For all of the foregoing reasons, and for the reasons stated by the Court at the Hearing and reflected in the record thereof, and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The relief requested in the Verified Petition is granted.

2. The Petitioner is the duly appointed foreign representative of the BVI Proceeding with respect to the Debtor, within the meaning of section 101(24) of the Bankruptcy Code, and is authorized to act on behalf of the Debtor in this Chapter 15 Case.

3. Notwithstanding Bankruptcy Rule 7062, made applicable to this chapter 15 proceeding by Bankruptcy Rule 1018, this Order shall be immediately effective and enforceable upon its entry, and upon its entry, shall be final and appealable as contemplated by 28 U.S.C. § 158(a).

4. The BVI Proceeding is granted recognition as the foreign main proceeding of the Debtor pursuant to section 1517 of the Bankruptcy Code.

5. All relief and protection afforded foreign main proceedings under section 1520 of the Bankruptcy Code is hereby granted to the BVI Proceeding, the Debtor, the Debtor's property located in the United States, and the Foreign Representative, as applicable, including application of the section 362 stay to bar actions against the Debtor and/or property of the Debtor located within the territorial jurisdiction of the United States.

6. The BVI Scheme and the BVI Sanction Order and all annexes thereto and subject to all terms, conditions and limitations set forth therein, are hereby recognized, granted comity and given full force and effect within the territorial jurisdiction of the United States.

7. All entities (as that term is defined in section 101(15) of the Bankruptcy Code) subject to this Court's jurisdiction are permanently enjoined from (i) commencing, continuing or taking any action that is in contravention with or would interfere with or impede the administration, implementation or consummation of the BVI Scheme, the BVI Sanction Order or the terms of this Order, and (ii) taking any action, including, without limitation, commencing or continuing any action or legal proceeding (including, without limitation, bringing suit in any court, arbitration, mediation, or any judicial or quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), and including action by way of counterclaim, and from seeking discovery of any nature related to the foregoing, (A) to recover or offset any debts, obligations or claims that

are extinguished, novated, cancelled, discharged or released under the BVI Scheme, the BVI Sanction Order, or as a result of BVI law, against the Debtor or any of its property located in the territorial jurisdiction of the United States, and (B) against the Directed Parties,[2] or any of their respective successors, assigns, agents, representatives, officers, directors, advisors or attorneys, in respect of any claim or cause of action arising out of or relating to any action taken or omitted to be taken by any of them in connection with the BVI Proceeding, the BVI Scheme, the BVI Sanction Order, this chapter 15 proceeding, this Order or the restructuring implemented by the BVI Scheme, except for any liability arising from any action or inaction constituting gross negligence, fraud or willful misconduct as determined by this Court.

8. The Directed Parties are directed, and the Debtor is authorized, to take any and all lawful actions that may be necessary to give effect to and implement the BVI Scheme and consummate the transactions contemplated thereunder, subject to the terms and conditions of the documents under which they have or will be appointed to act.

9. Wilmington Trust, in its capacity as indenture trustee for the Prior 2024 Notes and the Restructured 2024 Notes, is authorized to take the following actions, including on the records of DTC, Euroclear and Clearstream: (i) cancel the Prior 2024 Notes Guarantee and related security over the assets granted by the Debtor and over the shares of the Debtor; (ii) direct DTC to cancel and release the dollar-for-dollar escrow position (CUSIP Nos. 747ESCAA9 and L78ESCAA5) established at DTC in respect of claims of the Prior 2024 Notes; (iii) terminate all obligations under the Existing Notes Indenture and the Prior 2024 Notes; and (iv) allow the Debtor to accede

[2] Collectively, the Directed Parties are (i) Eleanor Fisher in her capacity as joint provisional liquidator of the Debtor and scheme administrator of the BVI Scheme; (ii) Paul Pretlove in his capacity as joint provisional liquidator of the Debtor; (iii) Wilmington Trust, National Association ("**Wilmington Trust**"), in its capacity as the indenture trustee of the Prior 2024 Notes, the Restructured 2024 Notes and as indenture trustee under the Prior 2024 Notes Indenture and the New Indentures; (iv) the Depository Trust Company ("**DTC**") in its capacity as record holder of the Prior 2024 Notes and the Restructured 2024 Notes; (iv) Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**");and (vi) D.F. King & Co., Inc. in its capacity as information agent.

to the Participating Notes Indenture, the Stub Notes Indenture and the Non-Participating Notes Indenture (together, the "**New Indentures**") in accordance with the terms set out therein and become a guarantor under the Restructured 2024 Notes pursuant to the terms of the guarantee set forth in each of the foregoing indentures (the "**New 2024 Notes Guarantee**"). The Debtor is directed to provide commercially reasonable cooperation to the Directed Parties for completion of such actions. Upon such cancellation, Wilmington Trust, in its capacity as trustee, transfer agent, paying agent and registrar under the Prior 2024 Notes shall thereafter have no further obligations under the Prior 2024 Notes, provided however, that any provisions that survive discharge under the terms of the Prior 2024 Notes shall continue in effect as provided thereunder unless modified and/or discharged by this Order, the BVI Scheme and/or BVI law. All rights, remedies and indemnities under Prior 2024 Notes shall survive cancellation of any 2024 Notes or any related documentation to the extent necessary to implement and enforce cancellation of the Prior 2024 Notes Guarantee.

10. Wilmington Trust, in its capacity as indenture trustee of the Restructured 2024 Notes, is authorized to deliver the New 2024 Notes Guarantee and any other related documentation to be distributed by the Debtor and its affiliates as required by the New Indentures, and take all other actions reasonable and necessary to ensure that creditors receive such documents.

11. As a condition precedent to the cancellation of the Prior 2024 Notes Guarantee, the Debtor (or the Constellation Group on behalf of the Debtor) shall pay the reasonable and documented fees, costs and expenses of Wilmington Trust (including, but not limited to, Wilmington Trust's U.S. and BVI attorneys' fees, costs and expenses) incurred in its capacities as indenture trustee for the Prior 2024 Notes and the Restructured 2024 Notes: (i) in connection with the BVI Proceeding, this Chapter 15 Case and in connection with the implementation of the

transactions provided for in the BVI Scheme and this Order, in cash on or before the effective date of the BVI Scheme and (ii) reimburse Wilmington Trust for any future reasonable and documented fees, costs and expenses that it incurs (including Wilmington Trust's U.S. and BVI attorneys' fees, costs and expenses) in connection with the implementation of the BVI Scheme and this Order as and when required by the New Indentures.

12. DTC is directed to cancel and release the dollar-for-dollar escrow position (CUSIP Nos. 747ESCAA9 and L78ESCAA5) established at DTC in respect of claims of the Prior 2024 Notes.

13. The Directed Parties and their respective successors, assigns, agents, representatives, officers, directors, advisors and attorneys are exculpated and released from any liability for any action or inaction taken in furtherance of and/or in accordance with this chapter 15 case, this Order, the BVI Sanction Order, the BVI Proceeding and the BVI Scheme, except for any liability arising from any action or inaction constituting gross negligence, fraud or willful misconduct as determined by this Court.

14. The Foreign Representative is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order and is authorized and empowered and may in her discretion and without further delay take any action and perform any act necessary to implement and effectuate the terms of this Order.

15. No action taken by the Foreign Representative in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of the BVI Proceeding, the BVI Scheme or any order entered in this chapter 15 case shall be deemed to constitute a waiver of the immunity afforded the Foreign Representative pursuant to sections 306 and 1510 of the Bankruptcy Code.

16. A copy of this Order, confirmed to be true and correct, shall be served by the Foreign Representative within seven business days of entry of this Order by facsimile, electronic mail or overnight express delivery on the Notice Parties, and such service shall be good and sufficient service and adequate notice for all purposes.

17. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation, interpretation, enforcement, amendment or modification of this Order.

Dated: _____, 2020
New York, New York

_____
THE HONORABLE MARTIN GLENN
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Notice List

Via Electronic Mail

U.S. Trustee	
Office of the United States Trustee for the Southern District of New York	201 Varick Street, Suite 1006 New York, NY 10014 Email: USTP.Region02@usdoj.gov
Counsel to Creditors	
Cleary Gottlieb Steen & Hamilton LLP	One Liberty Plaza New York, NY 1006 Attn: Richard Cooper; rcooper@cgsh.com Attn: Luke A. Barefoot; lbarefoot@cgsh.com
Maples and Calder	Sea Meadow House P.O. Box 173 Road Town, Tortola VG1110, British Virgin Islands Attn: Alex Hall Taylor; alex.halltaylor@maplesandcalder.com Attn: Chris Newton; chris.newton@maplesandcalder.com
Stocche, Forbes Advogados	Av. Magalhães de Castro 4800-18° Andar, Torre 2 – Edifício Park Tower São Paulo 05676-120 Brazil Attn: Guilherme Coelho; gcoelho@stoccheforbes.com.br
Milbank, Tweed, Hadley & McCloy LLP	28 Liberty Street New York, NY 10005-1413 Attn: Abhilash M. Raval; araval@milbank.com; Mary Doheny; mdoheny@milbank.com
E. Munhoz Sociedade de Advogados	Av. Pres. Juscelino Kubitschek 1600, 2º andar São Paulo 04543 000 Brazil Attn: Eduardo Secchi Munhoz; felipe@emunhoz.com.br
Conyers Dill & Pearman	Boundary Hall, 2nd Floor Cricket Square, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands Attn: Alan J. Dickson; Alan.Dickson@conyersdill.com
Machado Meyer Advogados	Avenida Brigadeiro Faria Lima, n. 3144, 11th Floor São Paulo, SP Brazil

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Moses & Singer LLP	405 Lexington Avenue New York, NY 10174 Attn: Alan Kolod; akolod@mosessinger.com Attn: Alan Gamza; agamza@mosessinger.com Attn: Kent Kolbig; kkolbig@mosessinger.com
Holland & Knight	31 West 52nd Street 12th Floor New York, NY 10019 Attn: Frank Vivero; frank.vivero@hklaw.com Attn: Peter Baumgaertner; peter.baumgaertner@hklaw.com Attn: Daniel Brown; daniel.brown@hklaw.com Attn: Barbra Parlin; barbra.parlin@hklaw.com
Veirano Advogados	Av. Presidente Wilson, 231 - 25º andar 20030-021 – Rio de Janeiro RJ – Brasil Attn: Ricardo Gama; ricardo.gama@veirano.com.br Attn: Camilla Carvalho; camilla.carvalho@veirano.com.br

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Ogier	Ritter House Wickhams Cay II PO Box 3170 Road Town, Tortola British Virgin Islands VG1110 Attn: Brian Lacy; brian.lacy@ogier.com
Loyens & Loeff Luxembourg S.à r.l.	18-20, rue Edward Steichen L-2540 Luxembourg Grand Duchy of Luxembourg Luxembourg Attn: Anne-Marie Nicolas; anne-marie.nicolas@loyensloeff.com Attn: Veronique Hoffeld; veronique.hoffeld@loyensloeff.com
Kalo Advisors	PO Box 4571, 4th Floor LM Business Centre Fish Lock Road Road Town, Tortola British Virgin Islands Attn: Paul Pretlove; Ppretlove@kaloadvisors.com

	Attn: Cassandra Ronaldson; cronaldson@kaloadvisors.com
Ernst & Young	EY Cayman Ltd. 62 Forum Lane Camana Bay P.O. Box 510 Grand Cayman KY1-1106 Cayman Islands Attn: Eleanor Fisher; Eleanor.Fisher@ky.ey.com
Creditors & Interested Parties	
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The Bank of Nova Scotia	720 King St., West 2nd Floor Ontario M5V 2T3 Attn: Jeff Tiemens; jeff.tiemens@scotiabank.com
The Norwegian Export Credit Guarantee Agency	PO Box 1763 Vika, 0112 Oslo Attn: postmottak@giek.no Attn: Inger Marit Borch; inger.marit.borch@giek.no Attn: Johann Linn; Johan.Linn@giek.no
The Norwegian state, represented by Eksportkreditt Norge AS	PO Box 1315 Vika, 0112 Oslo Attn: kontakt@eksportkreditt.no Attn: Lisen Kjekshus; LAK@eksportkreditt.no Attn: Jørgen Hauge; JHA@eksportkreditt.no
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Citibank, N.A. (Administrative Agent and Collateral Agent)	388 Greenwich Street 14th Floor New York, NY 10013 United States Kevin.l.vargas@citi.com

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Banco Bradesco S.A. Grand Cayman Branch	75 Fort Street Appleby Tower, 5th Floor Georgetown P.O. Box 1818 Grand Cayman Cayman Islands KY1-1109 Attn: Márcio Martins Bonilha Neto; marcio.bonilha@bradesco.com.br Attn: Pedro Victor Nascimento Xavier; pedro.xavier@bradesco.com.br
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Moneda International, Inc.	Isidora Goyenechea 3621 8th Floor Santiago, Chile Attn: Alexander Sideman; asideman@moneda.cl Attn: Fernando Tisne; ftisne@moneda.cl
State Street	ATHaynes@StateStreet.com; BEPerez@StateStreet.com; John.Ashton@statestreet.com; EDRoberts@StateStreet.com; DSinuc@StateStreet.com; EShih2@StateStreet.com; JGrant2@StateStreet.com; mkotoole@statestreet.com; CCotter@StateStreet.com; IrvineCATeam@statestreet.com; eamonn.oconnor@statestreet.com; bsport@statestreet.com; David.Brownson@statestreet.com;

	NonUSVolQuincyCustody@StateStreet.com; UK-SES-CA-Audit@statestreet.com;
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PIMCO	Attn: Kofi Bentsi; kofi.bentsi@pimco.com
Universal Investment Fund Capinvest Fund Limited	3 Bayside Executive Park, West Bay Street PO Box No. 4875 Nassau, The Bahamas Attn: Michael Paton; mpaton@lennoxpaton.com
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Gustavo Arechabala	Attn: Gustavo Arechabala; gustavo.arechabala@speedy.com.ar

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Via First Class Mail

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MUFG Bank, LTD (formerly known as the Bank of Tokyo – Mitsubishi UFJ, Ltd)	1221 Avenue Of The Americas 7th Floor New York NY 10020
Deutsche Bank	Winchester House, 1 Great Winchester Street, London, EC2N 2DB
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Wilmington Trust, National Association	50 South Sixth Street Suite 1290 Minneapolis, MN 55402
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Innova Business Development	10810 Katy Freeway Suite 106 Houston, Texas 77043
July Claussen Frescas LLC	17511 S Summit Canyon Dr. Houston, TX 77095
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Securities and Exchange Commission	
Securities and Exchange Commission	Corey Jennings Special Counsel, Office of International Corporate Finance Division of Corporation Finance U.S. Securities & Exchange Commission 100 F Street, NE Washington, D.C. 20549 Andrew Calamari Regional Director, NY Regional Office Brookfield Place 200 Vesey St., Ste. 400 New York, NY 10281-1022
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EXHIBIT 1

Rights Offering Memorandum

CONSTELLATION

CONSTELLATION OIL SERVICES HOLDING S.A.

(A public limited liability company (société anonyme) incorporated in the Grand Duchy of Luxembourg)

Subscription Rights for Eligible Holders of Constellation Oil Services Holding S.A.'s outstanding 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024

(CUSIP Nos. 74735PAB7/L7877XAB5 and ISIN Nos. US74735PAB76/USL7877XAB57)

to Subscribe for up to

U.S.$27,000,000 Aggregate Principal Amount of Constellation Oil Services Holding S.A.'s 10.00% PIK / Cash Senior Secured First Lien Tranche due 2024,

together with the right to receive the corresponding principal amount of the 10.00% PIK / Cash Senior Secured Second Lien Tranche due 2024 and the 10.00% PIK / Cash Senior Secured Third Lien Tranche due 2024

Constellation Oil Services Holding S.A. ("**we**," "**us**" or the "**Company**") is distributing to Eligible Holders (as defined below) of its 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024 (the "**Existing 2024 Notes**"), on a pro rata basis, non-transferable subscription rights (the "**Subscription Rights**") to purchase their pro rata share of up to U.S.$27,000,000 in aggregate principal amount (the "**Maximum Principal Amount**") of its 10.00% PIK / Cash Senior Secured First Lien Tranche due 2024 (the "**First Lien Tranche**"), together with the right to receive the corresponding principal amount of the Second Lien Tranche and the Third Lien Tranche (each as defined below). The offering (the "**Rights Offering**") of the First Lien Tranche through the Subscription Rights is being made solely in accordance with this rights offering memorandum (this "**Offering Memorandum**"). Each Eligible Holder that holds Existing 2024 Notes upon presentation thereof (for each holder for its Existing 2024 Notes, the "**Record Date**") will receive one Subscription Right to subscribe for up to its pro rata share (based on the principal amount of Existing 2024 Notes held by such Eligible Holder) of a principal amount of the First Lien Tranche at a purchase price of 100% of the principal amount thereof, *provided* that we will not issue any fractional First Lien Tranche pursuant to the Rights Offering and exercises of Subscription Rights will be rounded down to the nearest whole increment of U.S.$1,000. To validly exercise the Subscription Rights, Eligible Holders must submit an election to participate in the Rights Offering on or prior to 5:00 P.M., New York City time, on July 24, 2019, unless extended by us (such time and date, as the same may be extended by us, the "**Expiration Date**"), and Eligible Holders (other than the Backstop Investors (as defined below)) must submit a completed Subscription Form (as defined below) and fund the purchase of such subscribed for First Lien Tranche such that they are received by the Subscription Agent on or prior to 5:00 P.M., New York City time, on July 26, 2019, unless extended by us (such time and date, as the same may be extended by us, the "**Subscription Date**"), in each case as described in "Description of the Rights Offering—Exercise of Subscription Rights."

The Rights Offering and the issuance of the First Lien Tranche are being conducted as part of our judicial reorganization (the "**Restructuring**"), which commenced on December 6, 2018, when we and certain of our subsidiaries (collectively with the Company, the "**RJ Debtors**") jointly filed for judicial reorganization (*recuperação judicial*) (the "**RJ Proceeding**") based on Brazilian Bankruptcy Law No. 11,101/2005) (the "**Brazilian Bankruptcy Law**") before the 1st Business Court of Judicial District of the Capital of the State of Rio de Janeiro (the "**RJ Court**"). On June 28, 2019, certain creditors of the RJ Debtors executed a Second Amended and Restated Plan Support Agreement detailing the conditions related to their support of the RJ Proceeding (the "**PSA**"). On June 28, 2019, creditors of the RJ Debtors approved our judicial reorganization plan (the English translation of which is attached as Appendix A hereto, the "**RJ Plan**") at the general creditors' meeting ("**GCM**"). The RJ Debtors intend to implement the Restructuring through the RJ Proceeding and any other insolvency proceedings that are reasonably necessary to implement the Restructuring in other jurisdictions (the "**Ancillary Proceedings**" and, together with the RJ Proceeding, the "**Restructuring Proceedings**"), including proceedings seeking recognition of the RJ Proceeding under Chapter 15 of Title 11 of the United States Code (such title, the "**Bankruptcy Code**") in the U.S and a joint provisional liquidation in the British Virgin Islands (the "**BVI**"). On July 1, 2019, the RJ Court confirmed the RJ Plan. See Appendix A and "Judicial Reorganization" for more information.

Pursuant to the RJ Plan and in accordance with the Bankruptcy Code, the Existing 2024 Notes of each holder shall be cancelled in consideration for either Participating Notes (as defined below) or Non-Participating Notes (as defined below). To the extent a holder validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, (i) such holder shall receive its purchased amount of the First Lien Tranche; and (ii) in accordance with the RJ Plan and the Bankruptcy Code, the right to receive (a) a principal amount of 10.00% PIK / Cash Second Lien Tranche due 2024 (the "**Second Lien Tranche**") equal to the lesser of (1) 15 *times* the principal amount of the First Lien Tranche purchased by such holder in the Rights Offering and (2) the principal amount of Existing 2024 Notes held by such holder on the Record Date and (b) a principal amount of 10.00% PIK / Cash Third Lien Tranche due 2024 (the "**Third Lien Tranche**" and, together with the First Lien Tranche and the Second Lien Tranche, the "**Underlying Tranches**") equal to the principal amount of Existing 2024 Notes held by such holder on the Record Date *minus* the principal amount of the Second Lien Tranche received by such Holder. The First Lien Tranche will have a first-priority lien on the collateral securing the Underlying Tranches, and the Second Lien Tranche and Third Lien Tranche will have a second-priority and third-priority lien, respectively, on such collateral. To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, such holder shall have the right to receive fourth-lien notes to be issued by the Company (such notes, the "**Non-Participating Notes**").

Our obligation to consummate the Rights Offering and issue Participating Notes, is conditioned upon the satisfaction or waiver of certain conditions, including, among other things, the issuance pursuant to the exercise of Subscription Rights for, and/or the purchase pursuant to the Backstop Agreement of, U.S.$27 million of the First Lien Tranche (the "**Minimum Subscription Amount**"), the RJ Court entering the Brazilian Confirmation Order, the U.S. Bankruptcy Court entering the U.S. Enforcement Order, and the entry of orders in any Ancillary Proceeding necessary to effect the Restructuring.

(cover page continues)

Participating in the Rights Offering involves risks. See the "Risk Factors" section beginning on page 23 of this Offering Memorandum.

July 17, 2019

The First Lien Tranche will be issued to Eligible Holders that validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, together with the Second Lien Tranche and the Third Lien Tranche in a note (the "**Participating Notes**") issued pursuant to an indenture (substantially in the form attached as Appendix B hereto, the "**Indenture**"). The Underlying Tranches may not be separately transferred. Unless otherwise indicated in this Offering Memorandum, references to "Participating Notes" shall be deemed to include each Underlying Tranche, including the First Lien Tranche to which the Rights Offering relates. Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as standalone notes (the "**Stub Notes**") issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. For more information regarding the treatment of the Stub Notes see "Recent Developments—Judicial Reorganization—Existing 2024 Notes" and "Risk Factors—Risks Relating to the Rights Offering—Holders of Stub Notes will have limited rights under the indenture governing the Stub Notes."

The Participating Notes and the Underlying Tranches will be issued under the Indenture to be entered into among the Company, Constellation Overseas Ltd. ("**Constellation Overseas**") and certain subsidiaries of the Company, as guarantors (collectively, the "**Subsidiary Guarantors**"), and Wilmington Trust, National Association, as trustee (the "**Trustee**"), transfer agent, paying agent and registrar. The Underlying Tranches will be unconditionally and irrevocably guaranteed, jointly and severally, by Constellation Overseas and the Subsidiary Guarantors. The Participating Notes and the Underlying Tranches will mature on November 9, 2024 (the "**Maturity Date**"). The "**Settlement Date**" shall be the date on which Participating Notes and the Underlying Tranches will be issued to Eligible Holders, which is expected to be within five business days following the entry of final orders in all Ancillary Proceedings necessary to effect the Restructuring, or as promptly as practicable thereafter.

Interest on the Underlying Tranches will accrue from the Settlement Date and will be payable semi-annually in arrears on May 9 and November 9 of each year (each, an "**Interest Payment Date**"), commencing on November 9, 2019. Such interest will be paid on each Interest Payment Date (i) on or prior to November 9, 2021, by increasing the principal amount of the Underlying Tranches outstanding or, with respect to Underlying Tranches represented by certificated notes, issuing additional Underlying Tranches (the "**PIK Notes**") for the remaining amount of the interest payment (in each case, "**PIK Interest**"), at a rate per annum equal to 10.00%, in each case by rounding down to the nearest whole dollar, from the Settlement Date to, but excluding, November 9, 2021 and (ii) after November 9, 2021, (A) in cash, at a rate per annum of 9.00% ("**Cash Interest**") and (B) by paying PIK Notes or issuing PIK Notes at a rate per annum equal to 1.00%, in each case by rounding down to the nearest whole dollar, from November 9, 2021 until the Maturity Date. For the avoidance of doubt, although Eligible Holders (other than the Backstop Investors) are required to fund the purchase price for the First Lien Tranche on or prior to the Subscription Date, interest will not start accruing until the Settlement Date. See "Risk Factors—Risks Relating to the Rights Offering—Interest on the Participating Notes will not accrue until the Settlement Date."

The Underlying Tranches will initially be secured by certain assets of the Company and the Subsidiary Guarantors, including but not limited to, each of the Company's and the Subsidiary Guarantors' current offshore rigs and drilling vessels, the insurance receivables related thereto and, if applicable, the charter receivables related thereto. The Underlying Tranches will also have a springing collateral package that could consist of additional offshore rigs and drilling vessels as well as their related insurance receivables and charter receivables. See Article 11 of the Indenture for more information related to the collateral securing the Underlying Tranches and Appendix C hereto for the terms of the intercreditor agreement governing such collateral (substantially in the form attached as Appendix C hereto, the "**Intercreditor Agreement")**.

We, on one or more occasions, may redeem the Participating Notes, in whole or in part, at our option at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest (including an amount of cash equal to all accrued and unpaid PIK Interest) due thereon up to, but excluding, the date of redemption. The Participating Notes also may be redeemed, in whole but not in part, at 100% of their outstanding principal amount plus accrued and unpaid interest (including an amount of cash equal to all accrued and unpaid PIK Interest) due thereon, at any time upon the occurrence of specified events relating to the tax laws of Luxembourg or other relevant jurisdictions, as set forth in Section 3.07 of the Indenture.

As of the date of this Offering Memorandum, holders of 52.98% of the outstanding principal amount of the Existing 2024 Notes (the "**Backstop Investors**") have agreed, under that certain Amended and Restated Backstop Commitment Agreement entered into by the Backstop Investors and the Company on June 28, 2019 (the "**Backstop Agreement**") to exercise their Subscription Rights in this Rights Offering to purchase the First Lien Tranche. To the extent Subscription Rights to purchase the Maximum Principal Amount of the First Lien Tranche have not been validly exercised as of the Expiration Date, the Backstop Investors have agreed to purchase the unsubscribed portion of the First Lien Tranche, subject to certain conditions. See "Business—The Backstop Agreement." The proceeds from the issuance of the First Lien Tranche will be used for general corporate purposes.

You should carefully consider whether to exercise your Subscription Rights before the Expiration Date. All exercises of Subscription Rights are irrevocable, even if the Expiration Date or Subscription Date is extended. We are not making any recommendation regarding your exercise of the Subscription Rights. There is currently no public market for the Participating Notes, and we do not expect to list the Participating Notes for trading on any exchange. We cannot give you any assurance that a market for the Participating Notes will develop or, if a market does develop, of the price at which the Participating Notes will trade or whether such market will be sustainable through the Maturity Date.

Exercising your Subscription Rights and holding our Participating Notes involves a high degree of risk. You should carefully review the risks and uncertainties described under the heading "Risk Factors" in this Offering Memorandum before you exercise your Subscription Rights to hold the Participating Notes. Neither the United States Securities and Exchange Commission nor any state or foreign securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

Neither the Participating Notes nor the Subscription Rights have been approved or recommended by any U.S. federal, state or foreign jurisdiction or regulatory authority. Furthermore, those authorities have not been requested to confirm the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense. Neither the Participating Notes nor the Subscription Rights have been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. Accordingly, the Participating Notes and the Subscription Rights will be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable securities laws, pursuant to registration or exemption therefrom. See "Transfer Restrictions" for a description of restrictions on resale or transfer of the Participating Notes and the Securities.

The Rights Offering is being made, and the First Lien Tranche is being offered and will be issued, only (a) in the United States to holders of Existing 2024 Notes who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) outside the United States to holders of Existing 2024 Notes who are persons other than U.S. persons in reliance upon Regulation S under the Securities Act. The holders of Existing 2024 Notes who have certified to us that they are eligible to participate in the Rights Offering pursuant to at least one of the foregoing conditions are referred to as "Eligible Holders." Only Eligible Holders are authorized to receive or review this Offering Memorandum and to participate in the Rights Offering.

This Offering Memorandum has been prepared on the basis that in any Member State of the European Economic Area ("EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State") the Rights Offering will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Subscription Rights. Accordingly any person making or intending to make an offer in that Relevant Member State of Subscription Rights which are the subject of the Rights Offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. The Company has not authorized, nor does it authorize, the making of any offer of Subscription Rights in circumstances in which an obligation arises for the Company to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

The Subscription Rights are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 ("IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Subscription Rights or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subscription Rights or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation

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The terms "our company," "we," "our" or "us," as used herein, refer to Constellation Oil Services Holdings S.A. and its consolidated subsidiaries unless otherwise stated or indicated by context. The term "Constellation Overseas" as used herein refers to Constellation Overseas Ltd. and not its Subsidiaries.

We are responsible for the information contained in this Offering Memorandum. We have not authorized anyone to provide any information other than that contained in this Offering Memorandum prepared by or on behalf of us. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum, regardless of the time of delivery of this Offering Memorandum or any sale of the Participating Notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this Offering Memorandum. We are not making an offer to sell the Participating Notes in any jurisdiction where the offer or sale is not permitted.

This Offering Memorandum does not constitute an offer, or a solicitation of an offer, of any Participating Note by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this Offering Memorandum nor any issue of Participating Notes made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the

information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The Participating Notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the Participating Notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions." You should understand that you may be required to bear the financial risks of your investment in the Participating Notes for an indefinite period of time.

We have prepared this Offering Memorandum for use solely in connection with the Rights Offering outside of Brazil. This Offering Memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to acquire the Participating Notes. Distribution of this Offering Memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto, is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees not to make any photocopies of this Offering Memorandum in whole or in part.

Notwithstanding anything set forth herein or in any other document related to the Participating Notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of the issuer or its affiliates, agents or advisors or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of this Rights Offering.

We, having made all reasonable inquiries and having taken all reasonable care to ensure that such is the case, confirm that the information contained in this Offering Memorandum is true and accurate in all material respects. The opinions and intentions we express in this Offering Memorandum are honestly held, and there are no other facts, the omission of which would make this Offering Memorandum, as a whole, or any such information contained in this Offering Memorandum or the expression of any such opinions or intentions misleading. We accept responsibility accordingly. This Offering Memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of this offering and the Participating Notes, including the merits and risks involved.

We are not making any representation to any purchaser of the Participating Notes regarding the legality of an investment in the Participating Notes under any investment law or similar laws or regulations. You should not consider any information in this Offering Memorandum to be advice whether legal, business, accounting or tax. You should consult your own attorney or other professional for any legal, business, accounting or tax advice regarding an investment in the Participating Notes.

In making an investment decision, you must rely on your own examination of our business and the terms of this Rights Offering, including the merits and risks involved. The Participating Notes and the guarantees have not been registered with, recommended or approved by the U.S. Securities and Exchange Commission (the "**SEC**"), the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) (the "**CVM**"), or any other federal or state securities commission or any other regulatory authority, and neither the SEC, the CVM nor any other securities commission or regulatory authority has approved or disapproved of the Participating Notes or the guarantees or determined whether this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Participating Notes or possess or distribute this Offering Memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Participating Notes under the laws and

regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of us or our affiliates will have any responsibility therefor.

This Offering Memorandum has been prepared on the basis that all offers of the Participating Notes will be made pursuant to an exemption under Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State of the European Economic Area (the "**EEA**")), or, together with any applicable implementing measures in any Member State of the EEA, the Prospectus Directive, from the requirement to produce a prospectus for offers of the Participating Notes. Accordingly, any person making or intending to make any offer within the EEA of the Participating Notes should only do so in circumstances in which no obligation arises for us to produce a prospectus for that offer.

See "Risk Factors" for a description of certain factors relating to an investment in the Participating Notes, including information about our business. We do not make any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Participating Notes.

NOTICE TO INVESTORS WITHIN BRAZIL

THE PARTICIPATING NOTES (AND RELATED GUARANTEES) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE CVM. THE PARTICIPATING NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE PARTICIPATING NOTES (AND RELATED GUARANTEES) HAVE NOT AND WILL NOT BE ISSUED, PLACED, DISTRIBUTED, OFFERED OR TRADED IN THE BRAZILIAN CAPITAL MARKETS. ANY PUBLIC OFFERING OR DISTRIBUTION, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE PARTICIPATING NOTES IN BRAZIL IS NOT LEGAL WITHOUT PRIOR REGISTRATION UNDER LAW NO. 6,385/76, AS AMENDED (LEI DO MERCADO DE CAPITAIS), OR THE CAPITAL MARKETS LAW, AND CVM RULE NO. 400, ISSUED BY THE CVM ON DECEMBER 29, 2003, AS AMENDED. DOCUMENTS RELATING TO THE RIGHTS OFFFERING, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL (AS THE OFFERING OF THE PARTICIPATING NOTES IS NOT A PUBLIC OFFERING OF SECURITIES IN BRAZIL), NOR BE USED IN CONNECTION WITH ANY OFFER, SUBSCRIPTION OR SALE OF THE PARTICIPATING NOTES TO THE PUBLIC IN BRAZIL. PROSPECTIVE INVESTORS WISHING TO OFFER OR ACQUIRE THE PARTICIPATING NOTES WITHIN BRAZIL SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE APPLICABILITY OF REGISTRATION REQUIREMENTS OR ANY EXEMPTION THEREFROM.

NOTICE TO LUXEMBOURG INVESTORS

THE TERMS AND CONDITIONS RELATING TO THIS OFFERING MEMORANDUM HAVE NOT BEEN APPROVED BY AND WILL NOT BE SUBMITTED FOR APPROVAL TO THE LUXEMBOURG FINANCIAL SERVICES AUTHORITY (*COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER*) FOR PURPOSES OF PUBLIC OFFERING OR SALE IN THE GRAND DUCHY OF LUXEMBOURG (''LUXEMBOURG''). ACCORDINGLY, THE PARTICIPATING NOTES MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN LUXEMBOURG, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING MEMORANDUM, THE INDENTURE NOR ANY OTHER CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT OR OTHER MATERIAL RELATED TO SUCH OFFER MAY BE DISTRIBUTED, OR OTHERWISE BE MADE AVAILABLE IN OR FROM, OR PUBLISHED IN, LUXEMBOURG EXCEPT OR IN CIRCUMSTANCES WHERE THE OFFER BENEFITS FROM AN EXEMPTION TO OR CONSTITUTES A TRANSACTION OTHERWISE NOT SUBJECT TO THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR THE PURPOSE OF THE LAW OF JULY 10, 2005 ON PROSPECTUSES FOR SECURITIES, AS AMENDED.

QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING AND THE SUBSCRIPTION RIGHTS

The following are some of what we anticipate will be common questions about the Rights Offering. The answers are based on selected information from this Offering Memorandum. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the Rights Offering. This Offering Memorandum contains more detailed descriptions of the terms and conditions of the Rights Offering and provides additional information about us and our business, including potential risks related to the Rights Offering, the Existing 2024 Notes and our business.

What are the Rights Offering and the Subscription Right?

We are distributing, on a pro-rata basis, to all Eligible Holders of our Existing 2024 Notes, non-transferable subscription rights to purchase up to U.S.$27,000,000 in aggregate principal amount of the First Lien Tranche, which subscription rights we refer to as "Subscription Rights." One Subscription Right is being distributed for each U.S.$1,000 principal amount of Existing 2024 Notes outstanding to holders of our Existing 2024 Notes as of the Record Date. See "Summary of the Rights Offering."

Will fractional Subscription Rights be issued?

No. We will not issue fractional Subscription Rights or cash in lieu of the First Lien Tranche in less than the minimum denomination of U.S.$1,000 and exercises of Subscription Rights will be rounded down to the nearest whole increment of U.S.$1,000.

Why are we conducting the Rights Offering?

We are conducting the Rights Offering pursuant to the RJ Plan. See "Business—Judicial Restructuring."

If I exercise, am I required to exercise all of the Subscription Rights I receive in the Rights Offering?

Yes. If you exercise your Subscription Rights, you must exercise in full.

Are we requiring a minimum subscription to complete the Rights Offering?

Yes. In order to consummate the Rights Offering and issue Participating Notes, we must have issued pursuant to the exercise of Subscription Rights for, and/or the purchase pursuant to the Backstop Agreement of, U.S.$27.0 million of the First Lien Tranche (the "**Minimum Subscription Amount**").

Have any holders made any commitments respecting the Rights Offering?

We have entered into the Backstop Agreement, pursuant to which the Backstop Investors have agreed, subject to certain conditions, to purchase the unsubscribed portion of the First Lien Tranche, to the extent the Subscription Rights to purchase the Maximum Principal Amount of the First Lien Tranche have not been validly exercised as of the Expiration Date. See "Business—the Backstop Agreement."

The backstop obligations of the Backstop Investors are conditioned upon the satisfaction or waiver of certain conditions, including, among other things, the RJ Court entering the Brazilian Confirmation Order, the U.S. Bankruptcy Court entering the U.S. Enforcement Order, and the entry of orders in any Ancillary Proceedings necessary to effect the Restructuring.

Have we made a recommendation to our holders regarding the Rights Offering?

No. None of our Board of Directors or officers or the Subscription Agent, Transfer Agent or Trustee is making any recommendation regarding your exercise of Subscription Rights in the Rights Offering. Further, we have not authorized anyone to make any recommendation. You should carefully review the risks and uncertainties described

under the heading "Risk Factors" of this Offering Memorandum before you exercise your Subscription Rights to purchase the First Lien Tranche.

How soon must I act to exercise my Subscription Rights?

To validly exercise the Subscription Rights, Eligible Holders (other than the Backstop Investors) must (i) elect to participate in the Rights Offering in relation to all of your Existing 2024 Notes pursuant to The Depository Trust Company's ("**DTC**") Automated Tender Offer Program ("**ATOP**") on or prior to 5:00 P.M., New York City time, on July 24, 2019, unless extended by us (such time and date, as the same may be extended by us, the "**Expiration Date**") and (ii) other than Eligible Holders that are Backstop Investors, submit a completed subscription form, which is attached to this Offering Memorandum as Appendix D (the "**Subscription Form**"), and fund the purchase of such subscribed for First Lien Tranche such that they are received by the Subscription Agent on or prior to 5:00 P.M., New York City time, on July 26, 2019, unless extended by us (such time and date, as the same may be extended by us, the "**Subscription Date**").

When will I receive my subscription form?

The Subscription Form is attached to this Offering Memorandum as Appendix D. Promptly after the date of this Offering Memorandum, a subscription form will be delivered to each registered holder of our Existing 2024 Notes as of the close of business on the Record Date. That Subscription Form includes subscription details and election information for the Subscription Rights. If you wish to obtain a separate subscription form, you should promptly contact your nominee and request a separate subscription form. Holders in certain jurisdictions who hold through a nominee may be required to provide additional information to their nominees in order to exercise their Subscription Rights.

May I transfer my Subscription Rights?

No. The Subscription Rights may not be sold, transferred, assigned or given away to anyone except in connection with the transfer of the Existing 2024 Notes giving rise to such Subscription Rights.

Can the Rights Offering be extended, canceled or amended?

Yes. We may cancel or amend the Rights Offering in our discretion, subject to the terms of the Backstop Agreement. In addition, we may, in our discretion and subject to the terms of the Backstop Agreement, extend the period for exercising your Subscription Rights.

How do I exercise my Subscription Rights? What forms and payment are required to purchase Notes?

If you wish to participate in the Rights Offering, you must:

- elect to participate in the Rights Offering in relation to all of your Existing 2024 Notes through ATOP on or prior to the Expiration Date; and
- submit a completed Subscription Form and deliver payment for such subscribed First Lien Tranche using the methods outlined in this Offering Memorandum such that they are received by the Subscription Agent on or prior to the Subscription Date.

If you send a payment that is insufficient to purchase the principal amount of the First Lien Tranche you requested, or if the principal amount of the First Lien Tranche you requested is not specified in the Subscription Form, the payment received will be applied to exercise your Subscription Rights to the full extent possible based on the amount of the payment received and your relevant Subscription Rights, as described in this Offering Memorandum.

When and how will I receive the First Lien Tranche upon exercise of my Subscription Rights?

On the Settlement Date, the First Lien Tranche, together with the other Underlying Tranches, will be issued as Participating Notes in book-entry form and will be represented by one or more permanent global certificates deposited with a custodian for, and registered in the name of a nominee of, DTC.

After I send in my payment and completed Subscription Form, may I cancel my exercise of Subscription Rights?

No. All exercises of Subscription Rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your Subscription Rights and even if the Expiration Date or Subscription Date is extended. You should not exercise your Subscription Rights unless you are certain that you wish to purchase Notes.

What should I do if I want to participate in the Rights Offering but my Existing 2024 Notes are held in the name of my broker, dealer, custodian bank or other nominee?

If you hold the Existing 2024 Notes in the name of a nominee, then this nominee is the record holder of the Existing 2024 Notes you own. The record holder must exercise the Subscription Rights on your behalf for the Participating Notes you wish to purchase.

If you wish to participate in the Rights Offering and purchase the First Lien Tranche, please promptly contact your nominee who is the record holder of your Existing 2024 Notes. We will ask your nominee to notify you of the Rights Offering. Holders in certain jurisdictions who hold through a nominee may be required to provide additional information to their nominees in order to exercise their Subscription Rights.

How much money will the Company receive from the Rights Offering?

Since the Backstop Investors have agreed to purchase the First Lien Tranche to the extent unsubscribed for in the Rights Offering, the Rights Offering will be fully subscribed even if no holders other than the Backstop Investors exercise their Subscription Rights. The maximum amount of proceeds we may receive is U.S.$27,000,000. The proceeds from the issuance of the First Lien Tranche will be used for general corporate purposes.

Are there risks in exercising my Subscription Rights?

Yes. Exercising your Subscription Rights and holding our securities involves a high degree of risk. You should carefully review the risks and uncertainties described under the heading “Risk Factors” before you exercise your Subscription Rights.

If the Rights Offering is not completed, will my subscription payment be refunded to me?

Yes. The Subscription Agent will hold all funds it receives in a segregated, non-interest bearing trust account until completion of the Rights Offering. Such funds will only be released to the Company substantially concurrently with the issuance of the Participating Notes on the Settlement Date. If there is any reduction in your subscription request (e.g., due to any computational or other error in a subscription request or due to any other disqualification) or if the Rights Offering is terminated or otherwise is not completed, such funds received by the Subscription Agent will be returned, without interest, as soon as practicable.

When can I sell the First Lien Tranche I receive upon exercise of the Subscription Rights?

If you exercise your Subscription Rights, you will be able to resell your First Lien Tranche, together with the other Underlying Tranches in the Participating Notes, once your account has been so credited on or about the Settlement Date, provided you are not otherwise restricted from selling the Participating Notes. However, we cannot assure you that, following the exercise of your Subscription Rights, you will be able to sell your First Lien Tranche, together with the other Underlying Tranches in the Participating Notes at a price equal to or greater than the subscription price.

What fees or charges apply if I purchase the First Lien Tranche?

We are not charging any fee or sales commission to issue Subscription Rights to you or to issue the First Lien Tranche to you if you exercise your Subscription Rights. However, you are responsible for paying any fees your nominee record holder may charge you.

What are the tax consequences of exercising Subscription Rights?

For a description of certain tax considerations relating to the Subscription Rights and the Participating Notes, see "Taxation."

Whom should I contact if I have other questions?

If you have other questions or need assistance, please contact D.F. King, as information agent, at 48 Wall Street, New York, New York 10005, and, to the extent you have any questions regarding your subscription, please contact Wilmington Trust National Association, as Subscription Agent, at JHClark@wilmingtontrust.com.

TIMETABLE FOR THE RIGHTS OFFERING

Please take note of the following important dates and times in connection with the Rights Offering. We reserve the right to extend any of these dates, subject to the terms of the Backstop Agreement.

Date	Calendar Date	Event
Launch Date.....	July 17, 2019.	Commencement of the Rights Offering.
Expiration Date.....	5:00 p.m., New York City time, July 24, 2019.	The deadline for Eligible Holders to validly elect to participate in the Rights Offering.
Subscription Date	5:00 p.m., New York City time, July 26, 2019.	The deadline for the Subscription Agent to receive completed Subscription Forms and payment from Eligible Holders (other than the Backstop Investors) for such subscribed First Lien Tranche.
Settlement Date	Within five business days following the entry of final orders in all Ancillary Proceedings necessary to effect the Restructuring, or as promptly as practicable thereafter.	The date on which the Participating Notes will be issued to Eligible Holders.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). The functional currency of the Company and most of its subsidiaries is the U.S. dollar.

The financial and accounting information contained in this Offering Memorandum is derived from the following financial statements and the notes thereto, included elsewhere in this Offering Memorandum:

- our consolidated financial statements as of and for the year ended December 31, 2018, which was audited by Deloitte Touche Tohmatsu Auditores Independentes, as stated in their audit report, which contains a disclaimer of opinion (our "**2018 Financial Statements**"); and

- our amended and restated consolidated financial statements as of and for the year ended December 31, 2017, which was audited by Deloitte Touche Tohmatsu Auditores Independentes, as stated in their audit report, which contains a disclaimer of opinion and emphasis of matter paragraphs (our "**2017 Financial Statements**").

All references herein to (1) "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars and (2) the "*real*," "*reais*" or "R$" are to the Brazilian real.

Accounting for RJ Proceeding

As a result of the RJ Proceeding (which is considered to be similar in all substantive respects to proceedings under Chapter 11 of the Bankruptcy Code), we have applied IFRS as issued by the IASB, in preparing our consolidated financial statements. The RJ Proceeding constitutes an event of default under the Company's loan and financings, and accordingly the amounts owing to the applicable lenders became due and payable as of the filing date, with payment being suspended under Brazilian law. Due to events of default and as established in IAS 1 – Presentation of Financial Statements, the Company reclassified the non-current portion of its loans and financings to the current liabilities.

Disclaimer of Opinion

The audit report to our 2018 Financial Statements expresses a disclaimer of opinion presenting the following conditions which indicate the existence of a material uncertainty that may cast significant doubts on our ability to continue as a going concern: (i) net working capital deficiency, mainly related to the current portion of our loans and financings and lower operating cash flow generation during the year then ended; (ii) an uncertainty on whether our debt balances may become immediately due and payable as a result of the non-compliance with certain restrictive debt covenants; and (iii) the RJ Plan, which was approved at the GCM on June 28, 2019 and ratified by the RJ Court on July 1, 2019. The audit report also mentions, as the basis for the disclaimer of opinion: (i) the funding and liquidity difficulties of Sete Brasil Participações S.A. and its subsidiaries to meet its operational and financial commitments and the inability to obtain sufficient evidence of independent auditor review of their financial statements; (ii) the absence of external confirmation of related-party balances and transactions with Alperton Capital Ltd. as well as potential effects of the ongoing arbitration with Alperton Capital Ltd.; and (iii) incomplete disclosure of information required under IAS 36 – Impairment of Assets.

The audit report to our 2017 Financial Statements expresses a disclaimer of opinion presenting the following conditions which indicate the existence of a material uncertainty that may cast significant doubts on our ability to continue as a going concern: (i) net working capital deficiency, mainly related to the current portion of our loans and financings and lower operating cash flow generation during the year then ended; (ii) an ongoing loans liability management process over which we, until the date of the report, were not able to conclude and, therefore, we filed the request for the RJ Proceeding; (iii) an uncertainty on whether our project financings debt balances may become due and payable in the short-term as a result of the non-compliance with certain restrictive debt covenants; and (iv) an operational scenario in which, except for the Laguna Star and Brava Star drillships and the Olinda Star and Atlantic Star offshore drilling rigs charter and service-rendering agreements, the remaining charter and service-rendering agreements are ended as at the date of the report and have not been renewed so far. The audit report

mentions, as the basis for the disclaimer of opinion: (i) the funding and liquidity difficulties of Sete Brasil Participações S.A. and its subsidiaries to meet its operational and financial commitments and the inability to obtain sufficient evidence of independent auditor review of their financial statements; (ii) the absence of external confirmation of related-party balances and transactions with Alperton Capital Ltd.; (iii) incomplete disclosure of information required under IAS 36 – Impairment of Assets; and (iv) the non-compliance with certain restrictive non-financial debt covenants.

Emphasis of Matter

The audit report of our 2017 Financial Statements expresses emphasis-of-matter paragraphs related to: (1) the uncertainty of the outcome of the contingent liability of our investments in associate and joint venture entities held with SBM Offshore and its subsidiaries, related to operations in Brazil; and (2) the restatement of amounts related to the consolidated balance sheet as of December 31, 2017, and to the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the year then ended.

Special Note Regarding Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as GAAP. For this purpose, a non-GAAP financial measure is generally defined by the SEC and CVM as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP or IFRS measures. To be consistent with industry practice, we may disclose so-called non-GAAP financial measures, which are not recognized under Brazilian GAAP, IFRS or U.S. GAAP, including "EBITDA," "Adjusted EBITDA," "Adjusted EBITDA margin" or "net debt." However, these non-GAAP items do not have standardized meanings and may not be directly comparable to similarly titled items adopted by other companies. Potential investors should not rely on information not recognized under Brazilian GAAP, IFRS or U.S. GAAP as a substitute for the GAAP measures of earnings or liquidity in making an investment decision. We calculate EBITDA as net profit (loss), plus financial expenses, net, taxes, and depreciation and amortization. We calculate Adjusted EBITDA as EBITDA plus non-cash adjustments related to impairment and onerous contract provision. We calculate Adjusted EBITDA margin dividing Adjusted EBITDA by net operating revenue for the applicable period. For a reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin, see "Selected Financial and Other Information." We define net debt as our total loans and financings *minus* cash and cash equivalents *minus* short-term investments *minus* restricted cash. Our determination of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin or net debt does not purport to be compliant with SEC or CVM regulations.

Our management believes that disclosure of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and net debt provides useful information to investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. For example, interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary significantly between companies. Similarly, the tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business, with the result that their effective tax rates and tax expense can vary considerably. Finally, companies differ in the age and method of acquisition of productive assets, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated or units of production), which can result in considerable variability in depreciation and amortization expense between companies. However, our definition of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and net debt may differ from the definitions used by other companies. For internal comparison purposes, our management believes that EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and net debt are useful as an objective and comparable measure of operating profitability because it excludes these elements of earnings that do not provide information about the current operations of existing assets. EBITDA should not be considered by itself or as a substitute for net income, operating income or cash flow from operations or other measures of operating performance or liquidity. Our definition of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and net debt in this Offering Memorandum is not necessarily the same as that we use for purposes of establishing covenant compliance for our financing agreements or under the Indenture that will govern the Participating Notes.

Backlog

Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential rig performance bonuses, when applicable, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors, including, but not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions.

Our FPSO backlog is calculated for each FPSO by multiplying our percentage interest in the FPSO by the contracted operating dayrate by the firm contract period, in each case with respect to such FPSO. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated.

As of December 31, 2018, we maintained a backlog of U.S.$1.5 billion for contract drilling and FPSO services. This backlog included: (1) U.S.$86.3 million from the Olinda Star drillship, (2) U.S.$6.8 million from the Laguna Star drillship, U.S.$3.8 million from the Amaralina Star drillship, U.S.$29.7 million from the Brava Star drillship and U.S.$1,384.8 million from our interest in joint ventures with SBM Holding Inc. ("**SBM Holding**"), related to our investments in FPSOs, including U.S.$63.5 million from our 20.0% interest in FPSO Capixaba, U.S.$512.8 million from our 20.0% interest in FPSO Cidade de Paraty, U.S.$428.9 million from our 12.75% interest in FPSO Cidade de Ilhabela, U.S.$189.1 million and U.S.$190.6 million from our 5% interest in two joint ventures with SBM Holding Luxembourg S.à r.l. ("**SBM Luxembourg**"), related to our investments in FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively. As described in "Summary—Our Assets—FPSOs", in accordance with the RJ Plan, we are required to consummate the FPSO Disposition (as defined below) on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA).

Rounding

We have made rounding adjustments to certain figures and percentages included in this Offering Memorandum. Accordingly, numerical figures presented as totals in some tables may not be an exact arithmetic aggregation of the figures that precede them.

Certain Definitions and Conventions

Unless the context otherwise requires, in this Offering Memorandum references to:

- "**bbl**" are to barrels of oil;
- "**boe**" are to barrels of oil equivalent; one million boe is equivalent to approximately 5.35 billion cubic feet of natural gas, according to the conversion table from the 2016 BP Statistical Review of World Energy;
- "**boepd**" are to barrels of oil equivalent per day;
- "**charters**" are to the various contractual arrangements for the hiring of a unit covering both the rental of the unit itself, as provided under a charter contract, and the services required to operate the vessel, which are usually agreed upon under a separate service agreement;
- "**controlling shareholder**" are to Lux Oil & Gas International S.à r.l., our indirect controlling shareholder, as set forth in "Principal Shareholders—Lux Oil & Gas International S.à r.l."
- "**Constellation Group**" are to Constellation Oil Services Holding S.A. and its subsidiaries, associate entities and joint ventures;

- "**dayrates**" are to daily fees earned by a unit, including, among others, the charter fees earned under a charter contract and the service fees earned under a service agreement;
- "**deepwater**" are to water depths of approximately 3,000 feet to 7,499 feet;
- "**delivery date**" are to (1) the date our offshore or onshore rig commenced or is expected to commence operations for the customer, (2) the date on which we acquired the offshore rig operating under an existing contract or (3) the date a FPSO produces or is expected to produce oil;
- "**drilling contracts**" are to charter and service agreements entered into with customers.
- "**downtime**" are to periods in which we do not earn a dayrate because there has been an interruption in activity due to, among other reasons, an operational mistake or equipment malfunction;
- "**DP**" are to dynamically-positioned;
- "**E&P**" are to exploration and production of hydrocarbons;
- "**FPSO**" are to a floating production storage and offloading unit, a type of floating tank system used by the offshore oil and gas industry and designed to take all of the oil or gas produced from nearby platforms or templates, process it, and store it until the oil or gas can be offloaded onto a tanker or transported through a pipeline;
- "**foot**" or "**feet**" are to a unit of length equal to 12 inches or 0.3048 of a meter;
- "**HP**" are to horsepower;
- "**learning curve**" are to the period during which an operator becomes more familiar with the equipment and progressively reduces downtime until a point is reached when there is no significant improvement;
- "**midwater**" are to water depths up to and including approximately 2,999 feet;
- "**pre-salt**" are to areas more than 13,120 feet below the seabed, under layers of rock and salt;
- "**QG S.A.**" are to Queiroz Galvão S.A., the holding company for the Brazilian conglomerate with activities in heavy construction, energy, oil and gas, infrastructure, real estate, agriculture and steel;
- "**Serviços de Petróleo**" are to Serviços de Petróleo Constellation S.A., one of our Brazilian subsidiaries;
- "**SS**" are to semi-submersible, a specialized rig design;
- "**stacking**" are to maintaining an offshore rig in a yard, shipyard or sheltered waters until it is awarded a new assignment. "Warm" or "hot" stacking refers to idle but readily deployable rigs, whereas "cold" stacking refers to shuttered rigs that are currently in storage and not immediately ready for deployment;
- "**stacking period**" are to the period in which stacking occurs;
- "**ultra-deepwater**" are to water depths of approximately 7,500 feet or more;
- "**uptime**" are to periods in which we earn a dayrate; and
- "**VFD**" are to variable frequency drive.

SPECIAL NOTE REGARDING FORWARD–LOOKING STATEMENTS

We make forward-looking statements in this Offering Memorandum that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition and results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative corollary of these terms or other similar expressions. The statements we make regarding the following subject matters are forward-looking by their nature.

All statements related to our future financial condition contained in this Offering Memorandum, including business strategy, budgets, cost projections, and management plans and goals for future operations, are "forward-looking statements." These statements can be identified by the use of expressions such as "may," "will," "could," "expect," "intend," "believe," "plan," "anticipate," "estimate," or "continue," or the negative forms thereof, or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided with respect to these statements. Because these statements are subject to risks and uncertainties, actual results may differ materially and adversely from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially and adversely from those contemplated in such forward-looking statements include but are not limited to:

- expected useful lives of our rigs in which we have invested;
- future capital expenditures and costs;
- our inability to secure financing on attractive terms;
- our inability to maintain operating expenses at adequate and profitable levels;
- delay in payments by or disputes with our customers under our charter or services agreements;
- our inability to comply with, maintain, renew or extend the charter and services agreements with our customers;
- our inability to charter our units upon termination of our charter and services agreements at profitable dayrates;
- our inability to respond to new technological requirements in the areas in which we operate;
- the occurrence of any accident involving our rigs and other units in the industry;
- if any of our partnerships and joint ventures do not succeed;
- changes in governmental regulations that affect us or our customers and the interpretations of those regulations;
- increased competition in the drilling market;
- general economic, political and business conditions in Brazil and globally;
- the development of alternative sources of fuel and energy;
- the timing of any sale, disposition of transfer of our interests in the FPSOs (the "**FPSO Disposition**") and the proceeds received by the Company therefrom;
- the entry into waivers or amendments that modify or delay the effect of the terms of, or our obligations under, the RJ Plan, the PSA and other definitive documentation executed in connection therewith (including the Indenture and the Intercreditor Agreement), which are summarized herein;
- the timing and result of the Olinda BVI Proceeding (as defined below) and the ability of Olinda Star to guarantee the Participating Notes;

- the entry of any order by a court of competent jurisdiction or arbitration panel or tribunal enjoining, hindering or delaying the consummation of the Restructuring;

- the failure to obtain any court, regulatory or other approvals necessary to consummate the Restructuring; and

- the other factors referred to under the caption "Risk Factors" and otherwise in this Offering Memorandum.

Some of these factors are analyzed in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." The forward-looking statements contained herein are valid only as of the date they were made, and therefore, potential investors should not unduly rely on such forward-looking statements. These warnings should be taken into account in connection with any forward-looking statement, oral or written, that we may make in the future. We assume no obligation to update publicly or to revise any such forward-looking statements after we distribute this Offering Memorandum, for the purpose of reflecting subsequent events or developments or the occurrence of unexpected events. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

SUMMARY

This summary highlights selected information contained elsewhere in this Offering Memorandum. This summary does not contain all the information that you should consider before deciding to invest in the Participating Notes. You should read the entire Offering Memorandum carefully, including the information presented under "Risk Factors" and our Audited Consolidated Financial Statements, and the notes thereto, before making an investment decision.

Overview

We are a market-leading provider of offshore oil and gas contract drilling and FPSO services in Brazil and abroad. We are also one of the largest drilling companies in Brazil, as measured by the number of offshore drilling floaters currently in operation. We believe that our size and over 38 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. We own and hold ownership interests in a fleet of offshore and onshore drilling rigs and FPSOs, including six modern ultra-deepwater dynamically positioned rigs. During the years ended December 31, 2018 and 2017, we recorded net operating revenues of U.S.$507.9 million and U.S.$945.8 million, respectively, Adjusted EBITDA of U.S.$254.6 million and U.S.$634.8 million, respectively, and an Adjusted EBITDA margin of 50.1% and 67.1%, respectively. As of December 31, 2018, we had total net debt of U.S.$1.3 billion and shareholder's equity of U.S.$1.4 billion, equivalent to 42.4% and 46.3%, respectively, of our total assets as of that date.

Our Assets

Our assets consist of (i) six ultra-deepwater drilling rigs, (ii) one deepwater drilling rig, (iii) one midwater drilling rig, (iv) investments in five FPSOs and (v) nine onshore drilling rigs.

Offshore Drilling Rigs

As of the date of this Offering Memorandum, three of our offshore drilling assets were in operation: Brava Star is contracted to Shell Brasil Petróleo Ltda. ("**Shell Brasil**"), Laguna Star was awarded a contracted with the consortiums of BM-S-11, BM-S-11A and AIP (*Acordo de Individualização de Produção*, or Production Individualization Agreement) of Lula ("**Lula**"), operated by Petrobras S.A. ("**Petrobras**"), and Olinda Star is contracted to Oil and Natural Gas Corporation ("**ONGC**"). The following table sets forth additional information with respect to each of our offshore drilling assets.

Rig	% Interest	Type	Water Depth (ft)	Drilling Depth (ft)	Delivery Date (2)	Contract Expiration Date (3)
Ultra-deepwater						
Alpha Star	100%	SS	9,000	30,000	n/a	n/a
Lone Star	100%	SS	7,900	30,000	n/a	n/a
Gold Star	100%	SS	9,000	30,000	n/a	n/a
Amaralina Star (1)	100%	DP drillship	10,000	40,000	n/a	n/a
Laguna Star (1)	100%	DP drillship	10,000	40,000	February 2019	August 2021
Brava Star	100%	DP drillship	12,000	40,000	March 2019	November 2019
Deepwater						
Olinda Star	100%	Moored; SS	3,600	24,600	January 2018	January 2021
Midwater						
Atlantic Star	100%	Moored; SS	2,000	21,320	n/a	n/a

(1) Until September 21, 2018, we held a 55% interest in these drillships through a joint venture with Alperton, although we were entitled to receive 100% of the charter and services revenues from these drillships until the repayment in full of loans we have made to Alperton (with a maximum term of 12 years) to fund its related equity contributions. See "Business—Shareholder and Joint Venture Agreements—Shareholders Agreements Related to Amaralina Star and Laguna Star." As a result of the transfer of Alperton's 45% stake in Amaralina Star Ltd. and Laguna Star Ltd. in September 2018 to Constellation Overseas, pursuant to the Amaralina/Laguna Shareholders' Agreements, we now indirectly hold a 100% interest in these drillships. Such ownership is subject to an ongoing dispute with Alperton. For additional information, see "Recent Developments—Alperton Dispute."

(2) The "Delivery Date" corresponds to the commencement of operations to current clients.

(3) Firm period, not including options for additional wells.

FPSOs

We have entered into strategic partnerships for our investments in our five FPSOs with SBM Holding, SBM Luxembourg, Mitsubishi Corporation ("**Mitsubishi**"), Nippon Yusen Kabushiki Kaisha ("**NYK**"), and Itochu Corporation ("**Itochu**"), to benefit from the increased demand for FPSOs. These FPSOs are currently chartered to Petrobras. The following table sets forth additional information about the FPSOs:

FPSO	Status	% Interest	Daily Production Capacity (bbl/day)	Storage Capacity (bbl)	Delivery Date	Charter Expiration Date	Total Contract Amount (in millions of U.S.$) (2)
Capixaba	Operating	20.0%	100,000	1,600,000	May 2006 (1)	May 2022	1,774.9
Cidade de Paraty	Operating	20.0%	120,000	2,300,000	June 2013	April 2033	4,254.2
Cidade de Ilhabela	Operating	12.75%	150,000	2,400,000	November 2014	August 2034	5,220.5
Cidade de Maricá	Operating	5.0%	150,000	1,600,000	February 2016	January 2036	5,348.0
Cidade de Saquarema	Operating	5.0%	150,000	1,600,000	July 2016	June 2036	5,273.0

(1) The FPSO Capixaba was built in May 2006, and we subsequently entered into a partnership with SBM Holding to acquire our interest in this FPSO.
(2) "Total Contract Amount" refers to 100% of the amounts due pursuant to the charter and corresponding services contract.

In accordance with the RJ Plan, we are required to (i) transfer our interests in Arazi and Lancaster (which hold our interests in the FPSOs) to new, wholly-owned special purposes entities (or a similar structured entity satisfactory to the required creditors under the PSA) (the "**Arazi/Lancaster SPVs**") on or prior to August 31, 2019 and (ii) dispose of our interests in the FPSOs (the "**FPSO Disposition**") on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA) (the "**FPSO Disposition Outside Date**"). Upon any FPSO Disposition, proceeds therefrom will be applied pursuant to Section 3.11 of the Indenture. The milestones referenced in this paragraph (including the FPSO Disposition Outside Date) and the requirements and terms related to the Arazi/Lancaster SPVs and the FPSO Disposition may be amended by the required creditors under the PSA, in accordance with and pursuant to the RJ Plan and the PSA. See "Summary of the Participating Notes—FPSO Disposition," "Risk Factors—Risks Relating to our Restructuring—In accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs" and "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

Onshore Drilling Rigs

The following table sets forth additional information about our onshore drilling assets, each of which is owned by us.

Onshore Rig	Type	Drilling Depth Capacity (ft)
QG-I	1600HP	16,500
QG-II	1600HP	16,500
QG-III	Heli-portable; 1200HP	11,500
QG-IV	Heli-portable; 550HP	9,800
QG-V	Heli-portable; 1600HP	14,800
QG-VI	2000HP	23,000
QG-VII	2000HP	23,000
QG-VIII	Heli-portable; 1600HP	14,800
QG-IX	Heli-portable; 1600HP	14,800

Recent Developments

Judicial Reorganization

On December 6, 2018, we and certain of our subsidiaries (the "**RJ Debtors**") jointly filed for judicial reorganization (*recuperação judicial*) (the "**RJ Proceeding**") with the 1st Business Court of Judicial District of the Capital of the State of Rio de Janeiro (the "**RJ Court**"), based on Brazilian Law No. 11,101/2005 (the "**Brazilian**

Bankruptcy Law"), which filing had been approved by our Board of Directors on December 5, 2018. On June 28, 2019, creditors of the RJ Debtors approved our judicial reorganization plan (the English translation of which is attached as Appendix A hereto, the "**RJ Plan**") at the general creditors' meeting ("**GCM**"). The RJ Plan was confirmed by the RJ Court on July 1, 2019 (the "**Brazilian Confirmation Order**"). While the RJ Plan remains in full effect as of the date of this Offering Memorandum, it is, and may be in the future, subect to certain appeals. See "Risk Factors—Risks Relating to the Rights Offering—The Rights Offering is subject to conditions, and it may be cancelled, delayed or amended." The approval of the RJ Plan results in the discharge of all obligations existing prior to the filing of the RJ Proceeding (and the novation or amendment and restatement, as applicable, thereof with the new indebtedness described below) under Brazilian law and is binding on the RJ Debtors and all creditors subject to it. After the date of this Offering Memorandum and prior to the Settlement Date, the proposed terms of the definitive documentation reflecting such new indebtedness may be modified with the consent of required creditors under the PSA (which includes the Backstop Investors) in accordance with the terms of the RJ Plan and the PSA. See "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

Existing 2024 Notes

In accordance with the RJ Plan, the claims of holders of the Existing 2024 Notes will be novated and replaced with claims under either the Participating Notes or the Non-Participating Notes.

Participating Notes: To the extent a holder validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, on the Settlement Date, such holder shall receive its purchased amount of the First Lien Tranche and the right to receive amounts of the Second Lien Tranche and the Third Lien Tranche, each together as Underlying Tranches in the Participating Notes. For the terms of the Participating Notes, see the Indenture attached as Appendix B hereto.

Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as standalone notes (the "**Stub Notes**") issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. Under the indenture governing the Stub Notes, if a majority of the holders of Participating Notes have consented to modify the indenture governing the Participating Notes, the Company may make conforming changes to the indenture governing the Stub Notes without the consent of the holders of the Stub Notes. In addition, only holders of the Participating Notes will be able to accelerate the obligations under the indenture governing the Stub Notes or waive any event of default thereunder. See "Risk Factors—Risks Relating to the Rights Offering—Holders of Stub Notes will have limited rights under the indenture governing the Stub Notes."

Non-Participating Notes: To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, such holder shall have the right to receive their pro rata share of the Non-Participating Notes to be issued by the Company. The Non-Participating Notes will be unconditionally and irrevocably guaranteed, jointly and severally, by Constellation Overseas and the Subsidiary Guarantors that guarantee the Participating Notes, other than Lancaster, Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1, and will receive a fourth-priority lien on the Collateral (other than the Collateral related to Lancaster, Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1) and a fifth-priority lien on the shares of Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1. The Non-Participating Notes will mature on November 9, 2024. Interest on the Non-Participating Notes will be payable semi-annually on May 9 and November 9 of each year, commencing on November 9, 2019 at a rate that is contingent on the satisfaction of the Minimum Subscription Amount. If the Minimum Subscription Amount is obtained, interest on the Non-Participating Notes will accrue (i) from the Settlement Date to, but excluding, November 9, 2021, at a 10.00% PIK interest rate and (ii) on and after November 9, 2021, (A) in cash, at a rate per annum of 7.00% and (B) at a 3.00% PIK interest rate. If the Minimum Subscription Amount is not obtained, interest on the Non-Participating Notes will accrue from the Settlement Date to maturity at a 10.00% PIK interest. Similarly, if the Minimum Subscription Amount is not obtained, the indenture governing the Non-Participating Notes will include limitations on the Company's ability to, among others: (i) incur additional indebtedness, (ii) pay dividends on, redeeming or repurchasing its capital stock, (iii) make investments, (iv) sell assets, (v) engage in transactions with affiliates, (vi) create unrestricted subsidiaries, (vii) create certain liens, and (viii) consolidate, merge, or transfer all or substantially all of its assets, which

limitations will be consistent with those in the Indenture governing the Participating Notes. If the Minimum Subscription Amount is obtained, there will be no such limitations in the Non-Participating Notes indenture. No amortization of interest or principal amount on the Non-Participating Notes will be payable until maturity, at which time a bullet payment will be due.

A&R ALB Facilities

In accordance with the RJ Plan, the claims of the agents and lenders under our outstanding project financing credit facilities (the "**Existing ALB Facilities**" and the lenders thereunder the "**ALB Lenders**") will be amended and restated (the "**A&R ALB Facilities**") on the Settlement Date. The A&R ALB Facilities will include additional tranches for the re-lending of U.S.$39.1 million (the "**ALB Re-Lending Amount**"). The A&R ALB Facilities will mature on November 9, 2023, and will amortize according to a fixed schedule after December 31, 2020, with a bullet payment for the remaining balance due on the maturity date. Interest on the A&R ALB Facilities will be payable, either in cash or by increasing the principal amount of the outstanding indebtedness ("**PIK**"), at the Company's option, as follows: (a) from September 1, 2018 through January 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 10.00% PIK; (b) from February 1, 2019 through July 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 12.00% PIK; (c) from August 1, 2019 through December 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 14.00% PIK; and (d) from 2020 through 2023, LIBOR + 2.75% Cash, 1.50% PIK.

The creditors under the respective facilities of the A&R ALB Facilities will maintain the collateral currently provided in the Existing ALB Facilities. In addition, the lenders under the facilities relating to Amaralina Star and Laguna Star (the "**AL Lenders**") will receive *pari passu* silent second liens on the shares of Brava Star and the Brava Star drilling rig, and the lenders under the facilities relating to Brava Star (the "**Brava Lenders**") will receive *pari passu* silent second liens on the shares of Amaralina Star and Laguna Star, and on the Amaralina Star drilling rig and Laguna Star drilling rig. The AL Lenders will receive a first priority lien, and the Brava Lenders will receive a second priority lien, on Alperton receivables assigned to Constellation Overseas under the loan agreements (the "**Delba Carried Loan Agreements**") related to the Delba Shares (as defined below) and any claims Constellation Overseas has against Alperton. The ALB Lenders will also receive (i) a pledge of the shares of the newly created holding companies, Amaralina Star Holdco 2 Ltd. ("**Amaralina Holdco 2**"), Laguna Star Holdco 2 Ltd. ("**Laguna Holdco 2**") and Brava Star Holdco 2 Ltd. ("**Brava Holdco 2**" and together with their respective subsidiaries, Podocarpus Management B.V., Palase Management B.V., and Brava Drilling B.V., the "**ALB Entities**"), (ii) first priority liens on intercompany receivables, including receivables owed to ALB Entities or owed to any entity in the Constellation Group from any ALB Entity, and receivables relating to the Delba Carried Loan Agreement, (iii) an assignment over all charter and services or operating agreement receivables, and (iv) until receipt by Constellation Group of its share of net cash proceeds from the FPSO Disposition (see Section 3.11 of the Indenture), (1) first priority liens (on a *pari passu* basis with the First Lien Tranche and the New Bradesco Facility) on the assets related to the Company's interest in Arazi and Lancaster securing the ALB Re-Lending Amount and interest accrued thereon, and (2) a negative pledge with respect to the underlying FPSO assets.

The A&R ALB Facilities will retain existing covenants and have customary covenants for project financings, including limitations on dividends, asset sales, granting of new liens and incurring new indebtedness. The A&R ALB Facilities will have no financial covenants until 2021, except a minimum liquidity threshold of U.S.$60 million through December 31, 2020 and U.S.$75 million thereafter through 2023.

Bradesco Indebtedness

In accordance with the RJ Plan, the claims of Banco Bradesco S.A., Grand Cayman Branch ("**Bradesco**") under our working capital facilities (the "**Existing Bradesco Facilities**") will be amended and restated ("**A&R Bradesco Facilities**") on the Settlement Date. In addition, pursuant to the RJ Plan, on the Settlement Date, Bradesco will lend the Company U.S.$10 million for general corporate purposes under a new credit facility (the "**New Bradesco Facility**", and together with the A&R Bradesco Facilities, the "**Bradesco Facilities**"). The Bradesco Facilities will mature on November 9, 2025 and will have an interest rate of (a) LIBOR + 2.00% PIK (deferred through maturity) through January 2021 and (b) LIBOR + 2.00% (2.75% cash, and remainder PIK and deferred to maturity) from February 2021 through November 9, 2025. The Bradesco Facilities will amortize quarterly on a fixed schedule amounting to U.S.$5 million annually from January 1, 2022 through December 31, 2024, and U.S.$7.5 million thereafter until the third quarter of 2025, and receive principal payments in connection with any excess cash sweep or with the FPSO Disposition.

The New Bradesco Facility will receive first priority liens (on a *pari passu* basis as the First Lien Tranche), U.S.$50 million of the A&R Bradesco Facilities will receive second priority liens (on a *pari passu* basis as the Second Lien Tranche), and U.S.$100 million of the A&R Bradesco Facilities will receive fourth priority liens (on a *pari passu* basis as the Non-Participating Notes and the A&R Bradesco L/C Agreements (as defined below)), in each case, on the same Collateral securing the Participating Notes. In accordance with the RJ Plan, the reimbursement agreements relating to the existing letters of credit issued by Bradesco to Laguna Star (U.S.$24 million) and Brava Star (U.S.$6.2 million) will be amended and restated (the "**A&R Bradesco L/C Agreements**" and collectively with the Bradesco Facilities, the "**Bradesco Indebtedness**") on the Settlement Date to receive such fourth priority liens on the Collateral. In addition, until receipt by Constellation Group of its share of net cash proceeds from the FPSO Disposition (see Section 3.11 of the Indenture), the New Bradesco Facility will have (1) first priority liens (on a *pari passu* basis with the First Lien Tranche and the ALB Re-Lending Amount) on the assets related to the Company's interest in Arazi and Lancaster and (2) a negative pledge with respect to the underlying FPSO assets.

For more information related to the collateral securing Bradesco Indebtedness and the Intercreditor Agreement governing such collateral, see Appendix C hereto.

Existing 2019 Notes

In accordance with the RJ Plan, the claims of holders of the Company's 6.25% Senior Notes due 2019 (the "**Existing 2019 Notes**") will be novated and replaced with the Company's 6.25% PIK Senior Notes due 2030 (the "**Unsecured Notes**"). The Unsecured Notes will mature on November 9, 2030 and accrue interest from the Settlement Date at a 6.25% PIK interest rate. The indenture governing the Unsecured Notes will not include any limitations on the Company's ability, among others to: (i) incur additional indebtedness, (ii) pay dividends on, redeeming or repurchasing its capital stock, (iii) make investments, (iv) sell assets, (v) engage in transactions with affiliates, (vi) create unrestricted subsidiaries, (vii) create certain liens, or (viii) consolidate, merge, or transfer all or substantially all of its assets. No amortization of interest or principal amount will be payable until maturity, at which time a bullet payment will be due.

In this Offering Memorandum, we refer to the Participating Notes, Stub Notes, Non-Participating Notes, A&R ALB Facilities, Bradesco Indebtedness and Unsecured Notes, collectively as our "**Novated Indebtedness**").

Shareholder Contribution

In accordance with the RJ Plan, on or prior to the Settlement Date, our existing shareholders will make an equity contribution in cash in an aggregate amount of U.S.$27.0 million (the "**Shareholder Contribution**").

Chapter 15 Cases and Ancillary Proceedings

On December 6, 2018, we also commenced restructuring proceedings (the "**Chapter 15 Proceedings**") in the U.S. Bankruptcy Court under Chapter 15 of the Bankruptcy Code, to seek recognition of the RJ Proceeding as the foreign main proceeding of each of the RJ Debtors. As of the date of this Offering Memorandum, the U.S. Bankruptcy Court has recognized the RJ Proceeding as the foreign main proceeding of seven of the RJ Debtors, and as the foreign non-main proceeding of one of the RJ Debtors. The foreign representative for the RJ Debtors intends to file a motion with the U.S. Bankruptcy Court on or about July 17, 2019, seeking a judicial order of that court to grant, among other things, full force and effect to the RJ Plan and the Brazilian Confirmation Order in the United States (the "**U.S. Enforcement Order**"). Upon the grant of the U.S Enforcement Order, the claims governed by New York law will be novated and discharged under New York law and the creditors will be paid in the terms set forth in the RJ Plan.

During the RJ Proceeding, Olinda Star was excluded therefrom by the RJ Court and is not included as an RJ Debtor for the RJ Plan. Olinda Star intends to restructure its indebtedness in a way that mirrors the RJ Proceedings (to the extent possible) by way of a restructuring process that is permissible under BVI law (the "**Olinda BVI Proceeding**"). Olinda Star remains in provisional liquidation and the joint provisional liquidators (the "**JPLs**") appointed on December 19, 2018 by the BVI court remain in place.

For details regarding the Chapter 15 Cases and information related to the other Ancillary Proceedings, see "Judicial Reorganization."

Recent Operating Contracts

We have recently entered into drilling contracts for our Amaralina Star, Brava Star and Laguna Star drilling rigs. On March 7, 2019, Brava Star commenced operations pursuant to its contract with Shell Brasil to drill four firm wells, with an option to extend operations by up to an additional 810 days. In addition, from February 2019 to April 2019, Amaralina Star operated pursuant to a contract with Total E&P do Brasil Ltda. ("**Total Brasil**") to drill one well intervention.

On July 4, 2019 Laguna Star was awarded a contract with the consortiums of Lula to be operated by Petrobras. The contract has a duration of 730 days and the work will be performed in the Santos Basin, located offshore of Brazil. Operations under the contract are expected to commence by the end of October 2019.

On July 4, 2019 we also signed an agreement to render drilling services for Eneva S.A. ("**Eneva**") with the onshore drilling rig QG-VIII. The purpose of the agreement is to drill three oil wells in the Azulão Field for an expected duration of 90 days. Operations are expected to start in August 2019.

As of the date of this Offering Memorandum, we are engaged in discussions to charter several drilling rigs to potential customers and hope to conclude those discussions in the near future. However, there is no guarantee that we will be able to enter into any such new charter agreements. See "Risk Factors—Risks Relating to Our Company—If we are unable to obtain new and favorable contracts or renew contracts for rigs that expire or are terminated, our revenue and profitability would be materially adversely affected."

Alperton Disputes

BVI High Court Proceeding

On July 30, 2018, two of the directors (the "**former Alperton Directors**") nominated by Alperton Capital Ltd. ("**Alperton**") to the boards of Amaralina Star and Laguna Star (the "**A/L Companies**") filed a claim in the BVI High Court (Commercial Division) against such companies and the five directors (the "**Constellation Directors**") nominated by Constellation Overseas to the boards of the A/L Companies requesting access to certain of the companies' books and records. On August 16, 2018, the former Alperton Directors filed another claim with the BVI High Court alleging breach of fiduciary duties by the Constellation Directors. To the best of our knowledge, as of the date of this Offering Memorandum, the claimants have not taken any steps to progress any of these claims.

On September 6, 2018, Alperton filed a request for injunction with the BVI High Court to prevent Constellation Overseas from transferring Alperton's 45% stake in the A/L Companies (the "**Delba Shares**") to Constellation Overseas, a measure provided for in the related shareholders' agreements in the event of a "deadlock" in the management of the A/L Companies. Although this application was issued nearly ten months ago and the applicants filed a certificate of urgency at the time of filing, the BVI High Court has not yet heard the application.

On September 21, 2018, Constellation Overseas invoked its right under the related shareholders' agreements to acquire the Delba Shares upon the existence of an un-remedied "deadlock" and was registered as the sole shareholder of the A/L Companies. On January 30, 2019, Alperton filed an application in the BVI High Court seeking an injunction preventing Constellation Overseas from transferring or otherwise dealing with the Delba Shares. On March 13, 2019, BVI counsel for Alperton confirmed that this application was not being pursued. On June 26, 2019, Alperton issued stop notices in the BVI against the A/L Companies that require the A/L Companies to provide 14-days notice to Alperton before selling, transferring, registering the transfer, making payment, or otherwise dealing with the Delba Shares. A stop notice is an extra judicial document which is designed to provide the applicant with notice of a share transfer or other dealing with shares. On July 4, 2019, Constellation Overseas provided notice to Alperton of its intention to transfer the Delba Shares. Subsequently on July 9, 2019, Alperton filed an application for a stop order in the BVI seeking to prevent Constellation Overseas from transferring or otherwise dealing with the Delba Shares pending resolution of the ICC arbitration described below.

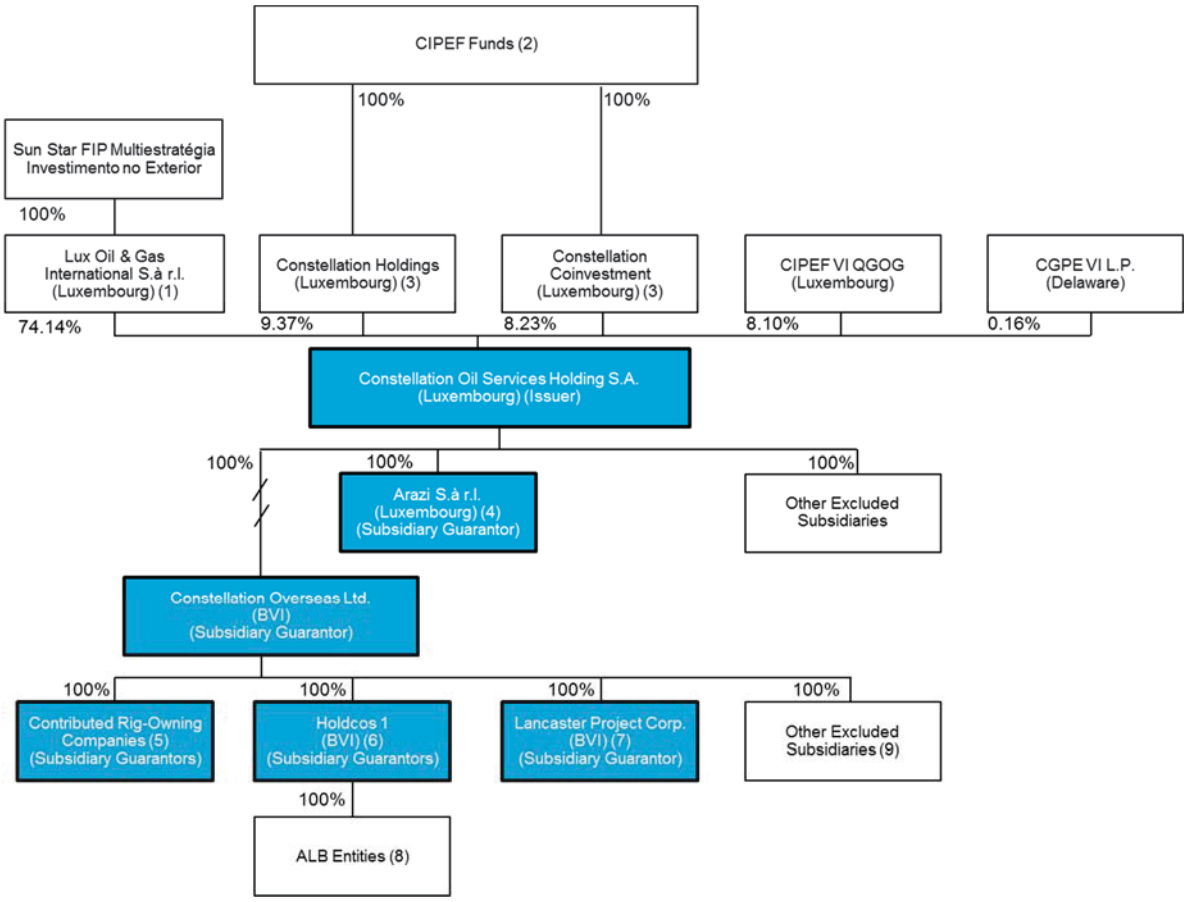
The defendants to all the BVI claims vigorously contest and deny the allegations made against them. They also consider that the claims, as well as the stop notices, are procedurally deficient in several material respects.

ICC Arbitration

On August 7, 2018, Constellation Overseas filed a request for arbitration with the International Chamber of Commerce (the "**ICC**") against Alperton under the parties' shareholders' agreements for the A/L Companies. The dispute concerns, among other things, (a) the confirmation of the applicable sales price (the "**DSP**") at which Constellation Overseas was entitled to purchase Alperton's shares upon the occurrence of a "deadlock" under such Shareholders' Agreements, and (ii) certain amounts owed by Alperton to Constellation Overseas under the Delba Carried Loan Agreements. Constellation Overseas takes the position that Alperton owes Constellation Overseas approximately U.S.$330 million. On September 14, 2018, Alperton filed its Answer and Counterclaims with the ICC, contending, among other things, that no "deadlock" occurred such that Constellation was not entitled to acquire Alperton's 45% shareholding in the A/L Companies and that, even if a "deadlock" had occurred, the DSP would be positive, such that Constellation Overseas would owe Alperton approximately U.S.$381 million to acquire Alperton's shares in the A/L Companies. Alperton disputes that the transfer of the Delba Shares to Constellation Overseas on September 21, 2019 was properly consummated and Alperton seeks, among other things, the return of the Delba Shares. Constellation Overseas submitted its reply on October 18, 2018, rejecting Alperton's counterclaims. Constellation Overseas intends to continue to pursue its rights and defend the counterclaims vigorously. In mid-December 2018, an arbitral tribunal was constituted. On June 29, 2019, the ICC rejected Alperton's request to bifurcate the arbitration in order to issue an expedited partial final award on the ownership of the Delba Shares. All claims and counterclaims will be heard together in a single merits phase. The schedule for the merits phase is currently being fixed. As the merits phase, including the briefing and hearing on the parties' claims and counterclaims, is not yet underway, we do not expect a decision on the merits before 2020.

Corporate Structure

The below chart sets forth our corporate structure as of the date of this Offering Memorandum. For more information regarding our principal shareholders, see "Principal Shareholders."



(1) The shares of Lux Oil & Gas International S.à r.l. ("**Lux Oil & Gas**") are beneficially owned by Sun Star FIP Multiestratégia (the "**Sun Star FIP**"), a *Fundo de Investimento em Participações*, which is administered by REAG Administradora de Recursos Ltda. (IDEAL Trust). See "Principal Shareholders" for further information.

(2) CIPEF V Constellation Holding L.P. (Delaware) and CIPEF Constellation Coinvestment Fund L.P. (Delaware). See "Principal Shareholders" for further information.

(3) Constellation Holdings S.à r.l. (wholly-owned by CIPEF V Constellation Holding L.P.) and Constellation Coinvestment S.à r.l. (wholly-owned by CIPEF Constellation Coinvestment Fund L.P.).

(4) Arazi S.à r.l. ("**Arazi**") holds our equity interests in FPSOs Capixaba, Cidade de Ilhabela, Cidade de Paraty, Cidade de Saquarema and Cidade de Maricá. In accordance with the RJ Plan, we are required to (i) transfer our interests in Arazi and Lancaster (which hold our interests in the FPSOs) to the Arazi/Lancaster SPVs on or prior to August 31, 2019 and (ii) consummate the FPSO Disposition on or prior to the FPSO Disposition Outside Date. Upon any FPSO Disposition, proceeds therefrom will be applied pursuant to Section 3.11 of the Indenture. The milestones referenced in this paragraph (including the FPSO Disposition Outside Date) and the requirements and terms related to the Arazi/Lancaster SPVs and the FPSO Disposition may be amended by the required creditors under the PSA, in accordance with and pursuant to the RJ Plan and the PSA. See "Summary of the Participating Notes—FPSO Disposition," "Risk Factors—Risks Relating to our Restructuring—In accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs" and "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

(5) Includes Alpha Star Ltd. ("**Alpha Star**"), Lone Star Offshore Ltd. ("**Lone Star**"), Gold Star Equities Ltd. ("**Gold Star**"), Snover International Inc. ("**Snover International**"), and Star International Drilling Ltd. ("**Star International**").

(6) Includes newly created holding companies: Amaralina Star Holdco 1 Ltd. ("**Amaralina Holdco 1**") Laguna Star Holdco 1 Ltd. ("**Laguna Holdco 1**") and Brava Star Holdco 1 Ltd. ("**Brava Holdco 1**").

(7) Lancaster Project Corp. ("**Lancaster**") holds our equity interests in the entities that operate and service our FPSOs in Cidade de Ilhabela, Cidade de Paraty, Cidade de Saquarema and Cidade de Maricá.

(8) Includes Brava Star Ltd. ("**Brava Star**"), Amaralina Star Ltd. ("**Amaralina Star**") and Laguna Star Ltd. ("**Laguna Star**") and their respective, newly created holding companies, Amaralina Star Holdco 2 Ltd. ("**Amaralina Holdco 2**") Laguna Star Holdco 2 Ltd. ("**Laguna Holdco 2**") and Brava Star Holdco 2 Ltd. ("**Brava Holdco 2**").

(9) Includes Olinda Star Ltd. ("**Olinda Star**"), which will be required to become a guarantor of the Participating Notes upon the applicable Springing Security Deadline (as defined in "—Summary of the Participating Notes"). See "Risk Factors—Risks Relating to our Restructuring—Olinda Star is subject to the Olinda BVI Proceeding and we cannot assure you whether Olinda Star will be able to guarantee the Participating Notes."

Corporate Information

We were incorporated as a *société anonyme* under the laws of Luxembourg on August 30, 2011 and are registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B163424. Our principal executive offices are located at 8-10, Avenue de la Gare L-1610 Luxembourg. Our telephone number is +352 20 20 2401. Our website address is *http://theconstellation.com*. None of the information contained on our website or connected thereto shall be deemed to be incorporated into this Offering Memorandum.

SUMMARY OF THE RIGHTS OFFERING

The following summary describes the principal terms of the Rights Offering, but is not intended to be complete. See the information under the heading "Description of the Rights Offering" in this Offering Memorandum for a more detailed description of the terms and conditions of the Rights Offering.

Rights Offering and Participating Notes ..... We are distributing to Eligible Holders of our 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024 (the "**Existing 2024 Notes**"), on a pro rata basis, non-transferable subscription rights (the "**Subscription Rights**") to purchase up to U.S.$27,000,000 in aggregate principal amount (the "**Maximum Principal Amount**") of our 10.00% PIK / Cash Senior Secured First Lien Tranche due 2024 (the "**First Lien Tranche**"), together with the right to receive the corresponding principal amount of the Second Lien Tranche and the Third Lien Tranche. You will receive a fixed number of Subscription Rights based on your pro rata ownership of Existing 2024 Notes as of the Record Date set forth below.

To the extent a holder validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, (i) such holder shall receive its purchased amount of the First Lien Tranche; and (ii) in accordance with the RJ Plan and the Bankruptcy Code, the right to receive (a) a principal amount of 10.00% PIK / Cash Senior Secured Second Lien Tranche due 2024 (the "**Second Lien Tranche**") equal to the lesser of (1) 15 times the principal amount of the First Lien Tranche purchased by such holder in the Rights Offering and (2) the principal amount of Existing 2024 Notes held by such holder on the Record Date and (b) a principal amount of 10.00% PIK / Cash Senior Secured Third Lien Tranche due 2024 (the "**Third Lien Tranche**" and, together with the First Lien Tranche and the Second Lien Tranche, the "**Underlying Tranches**") equal to the principal amount of Existing 2024 Notes held by such holder on the Record Date minus the principal amount of the Second Lien Tranche.

The First Lien Tranche will be issued to Eligible Holders that validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, together with the Second Lien Tranche and the Third Lien Tranche in a note (the "**Participating Notes**") issued pursuant to an indenture (substantially in the form attached as Appendix B hereto, the "**Indenture**"). The Underlying Tranches may not be separately transferred. Unless otherwise indicated in this Offering Memorandum, references to "Participating Notes" shall be deemed to include each Underlying Tranche, including the First Lien Tranche to which the Rights Offering relates. For a description of the Participating Notes see "Summary of the Participating Notes" and the Indenture.

Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as standalone notes (the "**Stub Notes**") issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. See "Risk Factors—Risks Relating to the Rights Offering—Holders of Stub Notes will have limited rights under

	the indenture governing the Stub Notes."
Non-Participating Notes.....	To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, in accordance with the RJ Plan and the Bankruptcy Code, such holder shall have the right to receive notes to be issued by the Company with terms described in "Summary—Judicial Restructuring—Existing 2024 Notes—Non-Participating Notes" (such notes, the "**Non-Participating Notes**"). See "Risk Factors—Risks Relating to the Rights Offering—Holders of Existing 2024 Notes will receive Non-Participating Notes if they do not participate in the Rights Offering or if the Minimum Subscription Amount is not obtained."
Holders Eligible to Participate in the Rights Offering.....	The Rights Offering is being made, and the Participating Notes will be issued only (a) in the United States to holders of Existing 2024 Notes who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) outside the United States to holders of Existing 2024 Notes who are persons other than U.S. persons in reliance upon Regulation S under the Securities Act. The holders of Existing 2024 Notes who have certified to us that they are eligible to participate in the Rights Offering pursuant to at least one of the foregoing conditions are referred to as "**Eligible Holders**." Only Eligible Holders are authorized to receive or review this Offering Memorandum and to participate in the Rights Offering.
Record Date.....	For each holder of Existing 2024 Notes, upon presentation of its Existing 2024 Notes.
Expiration Date.....	Eligible Holders as of the Record Date who wish to subscribe for Participating Notes must submit an election to participate in the Rights Offering through ATOP on or prior to 5:00 p.m., New York City time on July 24, 2019, unless extended by us in our sole discretion, subject to the terms of the Backstop Agreement (the "**Expiration Date**").
Subscription Date	In addition, Eligible Holders (other than the Backstop Investors) must submit their completed Subscription Form by 5:00 p.m., New York City time on July 26, 2019, unless extended by us in our sole discretion, subject to the terms of the Backstop Agreement (the "**Subscription Date**"). Eligible Holders who properly exercise Subscription Rights in the Rights Offering must also deliver or cause to be delivered, by wire transfer of immediately available cash funds to the account specified in the Subscription Form, an amount equal to the aggregate purchase price for the First Lien Tranche such Eligible Holder is subscribing for on or prior to the Subscription Date. The payments made in connection with the Rights Offering shall be deposited and held by the Subscription Agent in a segregated, non-interest bearing trust account, which shall be separate and apart from the Subscription Agent's general operating funds and any other funds subject to any lien or similar encumbrance and which segregated account or accounts shall be maintained for the purpose of holding the money for administration of the Rights Offering until the Settlement Date. Such funds will only be released to the Company substantially concurrently with the issuance of the Participating Notes on the Settlement Date. If there is any reduction in your subscription request (e.g., due to any computational or other error in a subscription request or due to any other

	disqualification) or if the Rights Offering is terminated or otherwise is not completed, such funds received by the Subscription Agent will be returned, without interest, as soon as practicable. Under no circumstances will any Eligible Holder be entitled to receive interest in respect of the amounts funded to the Subscription Agent.
Settlement Date	The Participating Notes will be issued following the consummation of the Restructuring, which issuance date (the "**Settlement Date**") is expected to be within five Business Days following the entry of final orders in all Ancillary Proceedings necessary to effect the Restructuring, or as promptly as practicable thereafter.
Conditions	Our obligation to consummate the Rights Offering and issue Participating Notes, is conditioned upon the satisfaction or waiver of certain conditions, including, among other things, the issuance pursuant to the exercise of Subscription Rights for, and/or the purchase pursuant to the Backstop Agreement of, U.S.$27.0 million of the First Lien Tranche (the "**Minimum Subscription Amount**"), the RJ Court entering the Brazilian Confirmation Order, the U.S. Bankruptcy Court entering the U.S. Enforcement Order, and the entry of orders in any Ancillary Proceeding necessary to effect the Restructuring.
Subscription Procedures	If you wish to participate in the Rights Offering, you must: • elect to participate in the Rights Offering in relation to all of your Existing 2024 Notes through ATOP on or prior to the Expiration Date; and • submit a completed Subscription Form and deliver payment for such subscribed First Lien Tranche using the methods outlined in this Offering Memorandum such that they are received by the Subscription Agent on or prior to the Subscription Date. The Subscription Form is included in this Offering Memorandum, as Appendix D.
No Revocation by Holder	All exercises of Subscription Rights and submissions of the Subscription Form are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your Subscription Rights and even if the Expiration Date, the Subscription Date or the Settlement Date is extended. You should carefully consider whether to exercise your Subscription Rights before the Expiration Date. We are not making any recommendation regarding your exercise of the Subscription Rights.
Limited Transferability of Subscription Rights	The rights to participate in the Rights Offering (the "**Subscription Rights**") may not be sold, transferred, assigned or given away to anyone except in connection with the transfer of the Existing 2024 Notes giving rise to such Subscription Rights. The Subscription Rights will not be certificated or listed for trading on any stock exchange or market.
Backstop Agreement	As of the date of this Offering Memorandum, holders of 52.98% of the outstanding principal amount of the Existing 2024 Notes (the "**Backstop Investors**") have agreed to exercise their Subscription Rights in this Rights Offering to purchase the First Lien Tranche. To the extent Subscription Rights to purchase the Maximum Principal Amount of the First Lien Tranche have not been validly exercised as of the Expiration Date, the Backstop Investors have agreed to purchase the unsubscribed

	portion of the First Lien Tranche, subject to certain conditions. See "Business—The Backstop Agreement."
Extensions, Termination and Amendments	We may terminate the Rights Offering prior to the Expiration Date, or extend the Rights Offering, the Subscription Date and/or the Settlement Date, subject to the terms of the Backstop Agreement. In addition, we may also amend the Rights Offering in certain respects. If we make certain material changes to the terms of the Rights Offering or the Restructuring, we may extend the Expiration Date if necessary to comply with applicable securities laws and the terms of the Backstop Agreement. See "The Rights Offering—Expiration Date; Extensions; Amendments."
No Registration	Neither of the Subscription Rights offered hereby to Eligible Holders or the Participating Notes has been, nor is expected to be, registered under the Securities Act or any state securities laws. We have no obligation or intention to register the Subscription Rights or Participating Notes for resale. As a result, neither the Subscription Rights nor the Participating Notes may be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Holders of Participating Notes will be able to offer or sell the Participating Notes only in accordance with the transfer restrictions set forth under the caption "Transfer Restrictions."
Certain Tax Consequences	For a discussion of certain tax considerations that may be relevant to your participation in the Rights Offering and the Participating Notes, see "Taxation."
Financial Advisor	Houlihan Lokey is serving as U.S. financial advisor for the Constellation Group and Alvarez & Marsal is serving as Brazilian financial advisor for the Constellation Group, in each case, in connection with the Restructuring but is not acting as a dealer manager or other agent of the Company in connection with the Rights Offering.
Subscription Agent	Wilmington Trust, National Association.
Information Agent	D.F. King & Co., Inc.
Risk Factors	Investors considering exercising Subscription Rights in the Rights Offering should carefully read and consider the information set forth in "Risk Factors" below, and the risks that we have highlighted in other sections of this Offering Memorandum.

SUMMARY OF THE PARTICIPATING NOTES

The following is a brief summary of some of the terms of the Participating Notes. For the terms of the Participating Notes, see the Indenture attached hereto as Appendix B, which terms may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA. See "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

Issuer..... Constellation Oil Services Holding S.A. (the "**Company**").

Participating Notes..... The Participating Notes will consist of the First Lien Tranche, the Second Lien Tranche and the Third Lien Tranche, which may not be separately transferred. Unless the context otherwise requires, references herein to the Participating Notes include the Underlying Tranches.

Guarantors..... Initially, Constellation Overseas Ltd. ("**Constellation Overseas**"), Alpha Star Ltd. ("**Alpha Star**"), Lone Star Offshore Ltd. ("**Lone Star**"), Gold Star Equities Ltd. ("**Gold Star**"), Arazi S.à r.l. ("**Arazi**"), Snover International Inc. ("**Snover International**"), Star International Drilling Ltd., ("**Star International**"), Lancaster Project Corp. ("**Lancaster**"), Hopelake Services Ltd. ("**Hopelake**"), Amaralina Star Holdco 1 Ltd. ("**Amaralina Holdco 1**"), Laguna Star Holdco 1 Ltd. ("**Laguna Holdco 1**") and Brava Star Holdco 1 Ltd. ("**Brava Holdco 1**") (collectively, the "**Initial Subsidiary Guarantors**"), following the applicable Springing Security Deadline for any Springing AssetCo Grantor, such Springing AssetCo Grantor (the "**Springing Subsidiary Guarantors**"), and any Subsidiary of the Company, other than a Springing AssetCo Grantor and any Excluded Subsidiary (collectively with the Initial Subsidiary Guarantors and the Springing Subsidiary Guarantors, the "**Subsidiary Guarantors**").

Springing AssetCo Grantors..... Brava Star Ltd. ("**Brava Star**"), Amaralina Star Ltd. ("**Amaralina Star**"), Laguna Star Ltd. ("**Laguna Star**"), Amaralina Star Holdco 1 Ltd. ("**Amaralina Holdco 1**"), Laguna Star Holdco 1 Ltd. ("**Laguna Holdco 1**"), Brava Star Holdco 1 Ltd. ("**Brava Holdco 1**") and Olinda Star Ltd. ("**Olinda Star**"), each, a "**Springing AssetCo Grantor**".

Guarantees..... Each Subsidiary Guarantor will unconditionally and irrevocably guarantee (the "**Note Guarantees**") all of the Company's obligations under the Participating Notes.

Ranking..... The Participating Notes and Note Guarantees will be senior secured obligations and will rank equal in right of payment with all of our and each Subsidiary Guarantor's existing and future senior indebtedness. The First Lien Tranche and related Note Guarantees will be secured on a first-lien basis, equally and ratably with all existing and future first lien obligations, by liens on the Collateral, subject to the liens securing the Company's obligations under any existing and future priority lien obligations and other permitted liens, (ii) the Second Lien Tranche and related Note Guarantees will be secured on a second-lien basis, equally and ratably with all existing and future second lien obligations, by liens on the Collateral, subject to the liens securing the Company's obligations under any existing and future priority lien obligations and other permitted liens, and (iii) the Third Lien Tranche and related Note Guarantees will be secured on a third-lien basis, equally and ratably with all existing and future third lien obligations, by liens on the Collateral, subject to the liens securing the Company's obligations under any

existing and future priority lien obligations and other permitted liens. Each Underlying Tranche and related Note Guarantees will be (i) effectively junior, to the extent of the value of the Collateral to the Company's obligations under any existing and future priority lien obligations, which will be secured on a priority basis by all or a portion of the same Collateral that secure such Underlying Tranche, and (ii) structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of the Company's Subsidiaries (other than the Subsidiary Guarantors).

Initial Collateral..... (A) On the Settlement Date (or, with the consent of holders holding at least a majority of the outstanding principal amount of the Participating Notes, within 60 days of the Settlement Date), the Participating Notes and the Note Guarantees will be initially secured by liens on:

- the drilling rig owned by Lone Star, Gold Star, Alpha Star and Star International (each a "**Drilling Rig Owner**");
- subject to paragraph (C) below, all rights to receivables (net of any taxes and retentions) of each Drilling Rig Owner under the Encumbered Charter Agreement existing on the Settlement Date, if any;
- subject to paragraph (C) below, the equity interests of each Drilling Rig Owner and any bareboat charterer under the related Encumbered Charter Agreement existing on the Settlement Date, if any;
- the assignment of insurance receivables of drilling rigs owned by each Drilling Rig Owner;
- all of the equity interests of Snover International, Arazi, Lancaster, Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1; and
- all dividends received by the Company from Arazi, net of any taxes and retentions; and

(B) No later than 90 days after entering into an Encumbered Charter Agreement for any drilling rig owned by a Drilling Rig Owner, the Participating Notes and the Note Guarantees will be initially secured by lien on:

- subject to paragraph (C) below, all rights to receivables (net of any taxes and retentions) of the Drilling Rig Owner under such Encumbered Charter Agreement; and
- subject to paragraph (C) below, the equity interests of the Drilling Rig Owner and any bareboat charterer under such Encumbered Charter Agreement.

(such assets described in clauses (A) and (B), subject to certain exceptions and permitted liens, the "**Initial Collateral**").

(C) With respect to any Encumbered Charter Agreement existing on or entered into after the Settlement Date for any drilling rig that is part of the Initial Collateral, unless holders of a majority in principal amount of

the Participating Notes direct the Trustee not to enter into any deed of quiet enjoyment or other arrangement related to such Encumbered Charter Agreement and requested by the customer of such Encumbered Charter Agreement, the Company and the applicable Subsidiary Guarantor shall have used commercially reasonable efforts to obtain relevant third party consents, to the extent such third party consents are required, to the assignment of the right to receive receivables (net of any taxes and retentions) by such Subsidiary Guarantor under the related Encumbered Charter Agreement, and to the extent the Company and such Subsidiary Guarantor are unable to obtain such third party consents, in lieu of providing such assignment of the right to receive receivables, the Company and such Subsidiary Guarantor shall pledge or cause to be pledged the equity interests in the entity owning the applicable drilling rig under such Encumbered Charter Agreement for the Collateral Trustee for the benefit of the holders and any other applicable secured party. For the avoidance of doubt, no Default or Event of Default will be deemed to have occurred in the event (i) the Company and the Subsidiary Guarantors are unable to obtain, after using commercially reasonable efforts, such third party consents to the assignment of receivable rights or (ii) holders of a majority in principal amount of the Participating Notes direct the Trustee not to enter into any deed of quiet enjoyment or other arrangement related to such Encumbered Charter Agreement and requested by such third party.

Unless otherwise extended as described above, the Company will agree to assure and confirm that on the Settlement Date, the Collateral Trustee will hold, for the benefit of the holders of Participating Notes and any other applicable Secured Party, duly created and enforceable and perfected Liens on the Initial Collateral, in each case, as contemplated by, and with the lien priority required under, the Intercreditor Agreement and the related security documents. See "Risk Factors—Risks Relating to the Participating Notes—Before the creation and perfection of a security interest in the Collateral, the obligations under the Participating Notes and the Note Guarantees may not be fully secured."

"**Charter Agreement**" means any contractual arrangement for the hiring and chartering of a drilling rig, including but not limited to intercompany bareboat charters (it being understood that, in the case of the drilling rig owned by Olinda Star, the Charter Agreement shall be limited to the intercompany bareboat charter agreement).

"**Encumbered Charter Agreements**" means (i) the Charter Agreement for each of Lone Star, Gold Star, Star International and Alpha Star existing on or after the Settlement Date, (ii) upon the occurrence of the Springing Security Deadline of a Springing AssetCo Grantor, the Charter Agreement for such Springing AssetCo Grantor existing on or after such Springing Security Deadline and (iii) any future Charter Agreement entered into for any drilling rig acquired after the Settlement Date.

See Article 11 of the Indenture for more information related to the collateral securing the Participating Notes and Appendix C hereto for the terms of the Intercreditor Agreement governing such collateral.

FPSO Disposition..... In accordance with the RJ Plan, we are required to (i) transfer our interests in Arazi and Lancaster (which hold our interests in the FPSOs) to new, wholly-owned special purposes entities (or a similar structured

entity satisfactory to the required creditors under the PSA) (the "**Arazi/Lancaster SPVs**") on or prior to August 31, 2019 and (ii) dispose of our interests in the FPSOs (the "**FPSO Disposition**") on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA) (the "**FPSO Disposition Outside Date**").

Upon an FPSO Disposition on or prior to the FPSO Disposition Outside Date, the Company is required to (x) redeem the Participating Notes and the Stub Notes (pro rata in accordance with Section 3.13 of the Indenture) in an aggregate principal amount (together with accrued and unpaid interest to the date of such redemption) equal to 86.8% of the FPSO Excess Proceeds Amount, and (y) permanently repay or cause to be repaid the obligations under the Bradesco Facilities in an aggregate principal amount (together with accrued and unpaid interest to the date of such repayment) equal to 13.2% of the FPSO Excess Proceeds Amount. Any remaining proceeds shall be applied by the Company in accordance with Section 3.11(a)(2) of the Indenture. "**FPSO Excess Proceeds Amount**" means (x) all net cash proceeds received by the Company or its subsidiaries from the FPSO Disposition in excess of (y) (i) U.S.$100.0 million less (ii) the amount of any excess to the extent the amount of any dividends or distributions made to the Company or its subsidiaries in respect of their interests in Arazi or Lancaster between May 31, 2019 and the consummation of the FPSO Disposition exceeds U.S.$1.2 million. In addition, within three business days of the consummation of such FPSO Disposition, the Company will make a special one-time PIK Interest payment on the Participating Notes and the Stub Notes (pro rata in accordance with Section 3.13 of the Indenture) in the amount of U.S.$5.4 million.

Upon an FPSO Disposition after the FPSO Disposition Outside Date, the net proceeds of any such FPSO Disposition, will be applied in the following order:

(1) pro rata among (i), (ii) and (iii):

(i) permanently repay or cause to be repaid the ALB Re-Lending Amount in an aggregate amount equal to $41.3 million;

(ii) redeem the Participating Notes and the Stub Notes (pro rata in accordance with Section 3.13 of the Indenture) in an aggregate principal amount equal to $27.0 million; and

(iii) permanently repay or cause to be repaid the obligations under the Bradesco Facilities in an aggregate principal amount equal to $10.0 million; and

(2) to the extent any net proceeds remain after application of clause (1) above, we will redeem the Participating Notes and the Stub Notes (pro rata in accordance with Section 3.13 of the Indenture) in an aggregate principal amount equal to such remaining net proceeds.

See Section 3.11 of the Indenture.

The milestones referenced in this section (including the FPSO Disposition Outside Date) and the requirements and terms related to the

Arazi/Lancaster SPVs and the FPSO Disposition may be amended by the required creditors under the PSA, in accordance with and pursuant to the RJ Plan and the PSA. See "Risk Factors—Risks Relating to our Restructuring—In accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs" and "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

Springing Collateral ..... (A) In addition, within 60 days (or, with respect to Olinda Star only, within 45 days) of the occurrence of the applicable Springing Security Deadline for any Springing AssetCo Grantor, the Participating Notes and the Note Guarantees will be secured by a lien on:

- any drilling rig held by such Springing AssetCo Grantor or a Subsidiary thereof;
- subject to the paragraph (C) below, all rights to receivables (net of any taxes and retentions) of such Springing AssetCo Grantor under any Encumbered Charter Agreements in effect on such date, if any, related to such drilling rig under the related Encumbered Charter Agreement;
- subject to the paragraph (C) below, the equity interests of such Springing AssetCo Grantor and the related bareboat charterer under the related Encumbered Charter Agreements in effect on such date; and
- all rights to insurance receivables of drilling rigs owned by such Springing AssetCo Grantor; and

(B) No later than 60 days (or, with respect to Olinda Star only, within 45 days) after entering into an Encumbered Charter Agreement for any drilling rig owned by a Springing AssetCo Grantor or a Subsidiary thereof after the Springing Security Deadline for such Springing AssetCo Grantor, the Participating Notes and the Note Guarantees will be initially secured by liens on:

- subject to paragraph (C) below, all rights to receivables (net of any taxes and retentions) of such Springing AssetCo Grantor under such Encumbered Charter Agreement; and
- subject to paragraph (C) below, the equity interests of such Springing AssetCo Grantor and any bareboat charterer under such Encumbered Charter Agreement.

(such assets, subject to certain exceptions and Permitted Liens, the "**Springing Collateral**" and, together with the Initial Collateral and any other assets required to be pledged to the Collateral Trustee for the benefit of the holders of the Participating Notes and any other applicable secured party under the Indenture, the Intercreditor Agreement and/or the related security documents, the "**Collateral**").

(C) With respect to any Encumbered Charter Agreements existing on or entered into after such Springing Security Deadline for any drilling rig described in this definition, unless holders of a majority in principal amount of the Participating Notes direct the Trustee not to enter into any

deed of quiet enjoyment or other arrangement related to such Encumbered Charter Agreement and requested by the customer of such Encumbered Charter Agreement, the Company and the applicable Springing AssetCo Grantor shall have used commercially reasonable efforts to obtain relevant third party consents, to the extent such third party consents are required, to the assignment of the right to receive receivables (net of any taxes and retentions) such Springing AssetCo Grantor under the related Encumbered Charter Agreement, and to the extent the Company and such Springing AssetCo Grantor are unable to obtain such third party consents, in lieu of providing such assignment of the right to receive receivables, the Company and such Springing AssetCo Grantor shall pledge or caused to be pledged the equity interests in the entity owning the applicable drilling rig under such Encumbered Charter Agreement for the Collateral Trustee for the benefit of the holders and any other applicable secured party. For the avoidance of doubt, no Default or Event of Default will be deemed to have occurred in the event (i) the Company and the Springing AssetCo Grantor are unable to obtain, after using commercially reasonable efforts, such third party consents to the assignment of receivable rights or (ii) holders of a majority in principal amount of the Participating Notes direct the Trustee to not enter into any deed of quiet enjoyment or other arrangement related to such Encumbered Charter Agreement and requested by such third party.

The "**Springing Security Deadline**" means, (i) with respect to each of Amaralina Star, Brava Star and Laguna Star, Amaralina Holdco 2, Brava Holdco 2 and Laguna Holdco 2, the 30th day following the date when all principal and interest due by such Springing AssetCo Grantor under the related A&R ALB Facility have been indefeasibly paid in full in immediately available funds and no commitments remain outstanding thereunder and (ii) with respect to Olinda Star, the earlier of the first day on which Olinda Star (x) is not prevented by applicable law (including any judicial proceeding) from guaranteeing the Participating Notes, (y) has guaranteed any obligations under the Bradesco Facilities or (z) has granted creditors under the Bradesco Facilities any second liens on Springing Collateral related to Olinda Star. For the avoidance of doubt, with respect to clause (i), if a refinancing or restructuring of the then existing A&R ALB Facility is entered into prior to the 30th day following the payment in full of such credit facility, (A) the Company will notify in writing the Trustee and the holders of the Participating Notes of such refinancing or restructuring and (B) the "Springing Security Deadline" will be the 30th day following the payment in full of such refinancing or restructuring.

See Article 11 of the Indenture for more information related to the collateral securing the Participating Notes and Appendix C hereto for the terms of the Intercreditor Agreement governing such collateral.

Olinda Star Disposition ..... Upon the sale, disposition or transfer of Olinda Star in connection with any voluntary or involuntary restructuring proceeding commenced in the British Virgin Islands (or any other jurisdiction) (an "**Olinda Star Disposition**"), the Company will within ten business days, apply 100% of the net proceeds received by the Company or any of its subsidiaries from such sale to:

(1) redeem the Participating Notes and the Stub Notes (pro rata in

accordance with Section 3.13 of the Indenture) in an aggregate principal amount (together with accrued and unpaid interest to the date of such redemption) equal to such net proceeds, at a redemption price equal to 100% of the principal amount thereof; or,

(2) if (x) creditors under the Bradesco Facilities have been granted first priority liens on any Collateral relating to Olinda Star or (y) Olinda Star has guaranteed any obligations under the Bradesco Facilities, pro rata among (A) and (B):

(A) redeem the Participating Notes and the Stub Notes (pro rata in accordance with Section 3.13 of the Indenture) in an aggregate an aggregate principal amount equal to such pro rata portion of such net proceeds, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the date of such redemption; and

(B) permanently repay or cause to be repaid the obligations under the Bradesco Facilities in an aggregate principal amount equal to such pro rata portion of such net proceeds, together with accrued and unpaid interest to the date of such repayment.

See Section 3.12 of the Indenture.

Maturity Date..... The Participating Notes will mature on November 9, 2024.

Interest Rate..... The Company will pay interest on the Participating Notes (i) on or prior to November 9, 2021, by increasing the principal amount of the Underlying Tranches outstanding or, with respect to Underlying Tranches represented by certificated notes, issuing additional Underlying Tranches (the "**PIK Notes**") for the remaining amount of the interest payment (in each case, "**PIK Interest**"), at a rate per annum equal to 10.00%, in each case by rounding down to the nearest whole dollar, from the Settlement Date to, but excluding, November 9, 2021 and (ii) after November 9, 2021, (A) in cash, at a rate per annum of 9.00% ("**Cash Interest**") and (B) by paying PIK Notes or issuing PIK Notes at a rate per annum equal to 1.00%, in each case by rounding down to the nearest whole dollar, from November 9, 2021 until maturity.

Interest Payment Dates ..... Interest on the outstanding principal amount of the Participating Notes will accrue from the Settlement Date and will be payable semiannually in arrears on each May 9 and November 9 (such payment date a "**Scheduled Payment Date**"), commencing on November 9, 2019.

Amortization Payment Dates..... Principal on the Participating Notes will be payable on each Scheduled Payment Date indicated below, in an aggregate amount set forth under the heading "Principal Amount Payable" in the table below opposite such date (such aggregate amount the "**Amortization Payment Amount**"). The Amortization Payment Amount shall be applied to the Participating Notes and the Stub Notes, pro rata based on the principal amount of the Participating Notes and the Stub Notes outstanding as of the Settlement Date (subject to adjustments to maintain the authorized denominations for the Participating Notes and the Stub Notes).

Installment	Scheduled Payment Date	Principal Amount Payable
1	May 9, 2023	U.S.$8,000,000
2	November 9, 2023	U.S.$8,000,000
3	May 9, 2024	U.S.$8,000,000

Change of Control ..... Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), we will be required to make an offer to purchase the Participating Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest thereon to, but excluding, the date of purchase. See Section 4.15 of the Indenture.

Optional Redemption ..... At any time, and from time to time, we may redeem the Participating Notes, at our option, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest (including an amount of cash equal to all accrued and unpaid PIK Interest) due thereon up to, but excluding, the date of redemption. See Section 3.07 of the Indenture.

Additional Amounts ..... All payments of principal and interest in respect of the Participating Notes will be made without withholding or deduction for any Luxembourg or other relevant jurisdictions' taxes or other governmental charges unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts as are necessary to ensure that the holders of the Participating Notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See Section 4.17 of the Indenture.

Application of Principal; Redemptions..... Cash payments made on, or redemptions of, the Participating Notes and the Stub Notes and any PIK interest payments made on the Participating Notes and the Stub Notes pursuant the Indenture will be applied as follows:

(a) first, the aggregate principal amount of any such cash payment, redemption or PIK Interest will be divided based on (i) an amount equal to the proportionate amount of the outstanding principal amount of the Participating Notes on the Settlement Date and (ii) an amount equal to the proportionate amount of the outstanding principal amount of the Stub Notes on the Settlement Date, in each case, subject to adjustments to maintain the authorized denominations for the Participating Notes and the Stub Notes; and

(b) second, in the case of any cash payment or redemption, such cash applied to the Participating Notes will then be deemed to be applied in reverse order of priority of the Liens applicable to the Participating Notes, as follows: (i) to the Third Lien Tranche, if any, until all third lien obligations under the Third Lien Tranche are paid in full, if any; (ii) to the Second Lien Tranche until all second lien obligations under the Second Lien Tranche are paid in full; and (iii) to the First Lien Tranche until

all first lien obligations under the First Lien Tranche are paid in full.

Covenants ..... The Indenture governing the Participating Notes will contain covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends on, redeem or repurchase our capital stock;
- make investments;
- sell assets, including capital stock of restricted subsidiaries and our interest in the FPSOs;
- engage in transactions with affiliates;
- create unrestricted subsidiaries;
- create certain liens, including priority liens;
- settle our dispute with Alperton; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications as provided in Article 4 of the Indenture.

Events of Default..... For a list of events of default that will permit acceleration of the principal of the Participating Notes plus accrued and unpaid interest, see Article 6 of the Indenture.

Use of Proceeds ..... We intend to use the cash proceeds from the issuance of the First Lien Tranche for general corporate purposes. See "Use of Proceeds."

Form and Denomination ..... The Participating Notes will be issued in registered form in minimum denominations of U.S.$2,000 and integral multiples of U.S.$1.00 in excess thereof (or if a payment of PIK Interest has been made, in minimum denominations of U.S.$1.00). The Participating Notes will be issued in the form of global notes in fully registered form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. At all times, PIK Interest on the Participating Notes will be payable (x) with respect to notes represented by one or more global notes registered in the name of, or held by, DTC or its nominee on the relevant record date, by increasing the principal amount of the outstanding global note by an amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest whole dollar) and (y) with respect to Notes represented by certificated notes, by issuing PIK Notes in certificated form in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest

	whole dollar). See Article 2 of the Indenture.
Settlement	The Participating Notes will be delivered in book-entry form through the facilities of the DTC for the accounts of its participants, including Euroclear and Clearstream, and will trade in DTC's Same-Day Funds Settlement System.
Transfer Restrictions	The Participating Notes, the Underlying Tranches and Note Guarantees have not been registered under the Securities Act or the laws of any other jurisdiction. The Participating Notes, the Underlying Tranches and Note Guarantees are subject to limitations on transfers, as described under "Transfer Restrictions" and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. No Underlying Tranche may be transferred separately from any other Underlying Tranche in the Participating Notes.
Original Issue Discount	The Participating Notes will be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. U.S. Holders (as defined in "Taxation—Certain U.S. Federal Income Tax Considerations"), will generally be required to include such OID in their gross income (as ordinary income) as it accrues in advance of the receipt of cash payments attributable to such OID, using the constant yield method, regardless of the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. See "Taxation—Certain U.S. Federal Income Tax Considerations."
Listing of the Participating Notes	We do not intend to apply to have the Participating Notes or any Underlying Tranche admitted to listing on any exchange.
Governing Law	The Indenture, the Participating Notes, the Underlying Tranches and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. Certain security documents will be governed by, and construed in accordance with, the laws of jurisdictions outside the United States. The application of the provisions set out in Articles 470-1 to 470-19 of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "**Companies Law**"), is excluded.
Trustee	Wilmington Trust, National Association, as trustee.
Collateral Trustee	Wilmington Trust, National Association, as collateral trustee.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this Offering Memorandum before deciding to participate in the Rights Offering. The risks described below are not the only ones facing us, the Subsidiary Guarantors, the Participating Notes and the Note Guarantees or investments in Brazil in general, but are the risks that we currently consider material. There are a number of factors, including those described below, which may adversely affect our ability to make payments under the Participating Notes and the Subsidiary Guarantors' ability to make payments under the Note Guarantees. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements." Our actual results could materially adversely differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing us, the Subsidiary Guarantors or investments in Brazil described below and elsewhere in this Offering Memorandum.

Risks Relating to the Rights Offering

You must comply with the Rights Offering procedures to receive Participating Notes.

Holders of Existing 2024 Notes who desire to purchase Participating Notes in the Rights Offering must act promptly to ensure that they validly submit an election to exercise their right to participate in the Rights Offering in relation to all of their Existing 2024 Notes to DTC through ATOP on or before the Expiration Date, and that all forms required for the subscription and payment for the Participating Notes are received by the Subscription Agent on or before the Subscription Date. If your Existing 2024 Notes are held through a broker, dealer, custodian bank or other nominee, as the record holder, then you must act promptly to ensure that your broker, dealer, bank or other nominee acts for you and that a valid election is submitted in relation to your Existing 2024 Notes to DTC through ATOP on or before the Expiration Date, and that all required forms and payment are actually received by the Subscription Agent on or before the Subscription Date. We will not be responsible if you or your nominee fails to ensure that all required forms and payments are timely received by the Subscription Agent.

Therefore, holders of Existing 2024 Notes who would like to subscribe to the First Lien Tranche should be sure to allow enough time for the necessary documents to be timely received by the Subscription Agent. We have the sole discretion to determine whether a Subscription Rights exercise follows the proper procedures. You bear the risk of delivery of all documents and payments, and neither we nor the Subscription Agent has any responsibility for such documents and payments.

The Rights Offering is subject to conditions, and it may be cancelled, delayed or amended.

We are launching the Rights Offering in accordance with the RJ Plan, which was confirmed by the RJ Court on July 1, 2019, but may be subject to additional judicial review by the Brazilian Court of Appeals of the State of Rio de Janeiro (the "**Brazilian Court of Appeals**") in the case of existing or future appeals. For example, on July 12, 2019, a holder of Existing 2024 Notes filed an appeal, seeking, among other things, an injunction on the commencement of the Rights Offering. However, on July 15, 2019, the RJ Court denied such holder's injunction. We expect that the appeal will be heard on the merits by the Brazilian Court of Appeals in due course. As the RJ Plan remains in full effect, the occurrence of the Settlement Date is not dependent on final resolution of such appeal; however, it is dependent on there being no stay of the RJ Plan as of the Settelment Date. In the event that the Brazilian Court of Appeals rules in favor of such holder or any subsequent appeals or challenges to the RJ Plan, the RJ Debtors may be ordered to present a new RJ Plan and the Rights Offering may be delayed, modified and/or cancelled accordingly and the issuance of the Participating Notes unwound. To the extent the Rights Offering is cancelled or the issuance of the Participating Notes unwound, holders of Existing 2024 Notes shall be entitled to receive a return of any subscription price payments, as soon as practicable, without interest.

The consummation of the Rights Offering is subject to the satisfaction or waiver of a number of conditions as set forth in this Offering Memorandum. We have the right to terminate or withdraw, in our sole discretion, subject to applicable law, the Rights Offering at any time and for any reason, subject to applicable law. Even if the Rights

Offering is consummated, it may not be consummated on the timetable set forth at the beginning of this Offering Memorandum. Accordingly, holders of Existing 2024 Notes participating in the Rights Offering may have to wait longer than expected to receive their Participating Notes. If the Rights Offering is terminated or cancelled for any reason, then we will not issue you any of the Participating Notes you may have subscribed for and we will not have any obligation with respect to the Subscription Rights, except to return any subscription price payments, as soon as practicable, without interest.

We may amend or make non-fundamental changes to the terms of the Rights Offering or modify the Expiration Date or Subscription Date of the Rights Offering at any time, and we may amend or waive the terms of the Rights Offering for any reason, subject to applicable law and the terms of the Backstop Agreement

The subscription price of the Participating Notes does not reflect any independent valuation and is not an indication of its market value.

The subscription price of the Participating Notes has been set forth in the RJ Plan, resulting from independent negotiations and also considering the interests of our current creditors, and does not result from any independent valuation or bear direct relationship to its market value.

We are not making a recommendation as to whether you should participate in the Rights Offering.

None of our Board of Directors or officers or the Subscription Agent, Transfer Agent or Trustee is making any recommendation regarding your exercise of Subscription Rights in the Rights Offering. Further, we have not authorized anyone to make any recommendation.

In participating in the Rights Offering, you will be subject to risks as holders of the Participating Notes.

If you subscribe to the First Lien Tranche offered in the Rights Offering, you will be subject to the risks relating to the Participating Notes that are described below.

Interest on the Participating Notes will not accrue until the Settlement Date.

In order to participate in the Rights Offering, unless you are a Backstop Investor, you are required to fund the applicable purchase price by the Subscription Date, which may be a significant time prior to the occurrence of the Settlement Date. Interest on the Participating Notes will only accrue from the Settlement Date, which depends on the entry of final orders in all Ancillary Proceedings necessary to effect the Restructuring. As such, you will not receive any interest on amounts funded to purchase the First Lien Tranche until the Settlement Date. Therefore, delays in the completion of the Ancillary Proceedings may defer the payment of interest in connection with such notes.

Eligible Holders that participate in the Rights Offering may receive Stub Notes, and such holders will have limited rights under the indenture governing the Stub Notes.

Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as standalone Stub Notes issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. Under the indenture governing the Stub Notes, if a majority of the holders of Participating Notes have consented to modify the indenture governing the Participating Notes, the Company may make conforming changes to the indenture governing the Stub Notes without the consent of the holders of the Stub Notes. In addition, only holders of the Participating Notes will be able to accelerate the obligations under the indenture governing the Stub Notes or waive any event of default thereunder.

As such, depending on the participating level in the Rights Offering, even if you participate in the Rights Offering, you may receive a principal amount of Stub Notes in lieu of receiving such principal amount of the Second Lien Tranche and/or Third Lien Tranche.

Holders of Existing 2024 Notes will receive Non-Participating Notes if they do not participate in the Rights Offering or if the Minimum Subscription Amount is not obtained.

To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, pursuant to the RJ Plan, such holder's claims under the Existing 2024 Notes shall be novated and replaced with claims to the Non-Participating Notes. In addition, if the Minimum Subscription Amount is not obtained, pursuant to the RJ Plan, all claims under the Existing 2024 Notes shall be novated and replaced with claims to the Non-Participating Notes. The Non-Participating Notes have materially different terms from the Participating Notes, including, but not limited to, the applicable interest rate, lien priority and covenant package. You should carefully consider whether to participating in the Rights Offering.

In accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs.

In accordance with the RJ Plan, we are required to (i) transfer our interests in Arazi and Lancaster (which hold our interests in the FPSOs) to the Arazi/Lancaster SPVs on or prior to August 31, 2019 and (ii) consummate the FPSO Disposition on or prior to the FPSO Disposition Outside Date. Upon any FPSO Disposition, proceeds therefrom will be applied pursuant to Section 3.11 of the Indenture. The milestones referenced in this paragraph (including the FPSO Disposition Outside Date) and the requirements and terms related to the Arazi/Lancaster SPVs and the FPSO Disposition may be amended by the required creditors under the PSA, in accordance with and pursuant to the RJ Plan and the PSA. See "Summary of the Participating Notes—FPSO Disposition," "Risk Factors—Risks Relating to our Restructuring—In accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs" and "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

Risks Relating to the Participating Notes

The Indenture governing the Participating Notes will permit the incurrence of additional debt.

As of December 31, 2018, our total debt amounted to U.S.$1,475.2 million, of which U.S.$1,222.4 million was secured indebtedness. After giving pro forma effect to the Restructuring, our total debt is expected to amount to U.S.$1,595.2 million, of which U.S.$1,496.3 million will be secured indebtedness. We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, or provide guarantees in the future, subject to certain limitations set forth in the Indenture. The terms of the Indenture will restrict, but will not completely prohibit the issuer, its subsidiaries and the Subsidiary Guarantors from doing so. In addition, the Indenture will not prevent us from incurring other liabilities that do not constitute indebtedness. See Section 4.09 of the Indenture.

We may be unable to purchase the Participating Notes upon a specified change of control event, which would result in defaults under the Indenture governing the Participating Notes.

The Indenture will require us to make an offer to repurchase the Participating Notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the Participating Notes, plus accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit our ability to fund the repurchase of your Participating Notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control triggering event to make the required repurchase or that restrictions in our credit facilities and other financing arrangements will not allow the repurchases. See Section 4.15 of the Indenture.

The Participating Notes will be secured only by the Collateral and will be effectively subordinated to the rights of our and the Subsidiary Guarantors' existing and future secured creditors to the extent of the value of any assets (other than the Collateral) securing such other obligations and may be contractually subordinated to any priority lien obligations.

The Indenture will permit the Company and the Subsidiary Guarantors to incur additional secured indebtedness, including, but not limited to, indebtedness under our credit facilities and future indebtedness to be used for capital expenditures, refinancings, restructurings and/or extensions of existing indebtedness; and general corporate

purposes. The substantial majority of our debt has been and will continue to be secured debt used to purchase, maintain and upgrade drilling rigs and drilling vessels. Indebtedness under our credit facilities is secured by mortgages on all rigs owned by our rig and ship-owning Subsidiaries, other than the Initial Collateral (including the mortgaged drilling rigs) that will initially secure our obligations under the Participating Notes. See Article 11 of the Indenture. In addition, the Indenture and the related security documents will permit the Company and the Subsidiary Guarantors to incur indebtedness that is secured by a priority lien on Collateral. If such Collateral is subject to any such priority lien, the Participating Notes will be contractually subordinated to the value of the assets securing such priority lien obligations.

The fair market value of the Collateral (including the mortgaged drilling rigs) is subject to fluctuations, and there is no guarantee that the value of the Collateral (including the mortgaged drilling rigs) will be sufficient to satisfy in full amounts owed to holders of the Participating Notes, and to the extent such amounts are insufficient, the obligation of each guarantor to repay amounts owed on the Participating Notes will be effectively subordinated to any other existing or future secured indebtedness of such guarantor to the extent of the value of any assets securing such other obligations. If an Event of Default occurs under our credit facilities or under future secured indebtedness, the senior secured lenders will have a prior right to the assets mortgaged in their favor (other than the Collateral), to the exclusion of the holders of the Participating Notes, even if we are in default under the Participating Notes. In that event, our assets and the assets of the Subsidiary Guarantors (other than the Collateral) would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our credit facilities), resulting in a portion of our assets being unavailable to satisfy the claims of the holders of the Participating Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, subject to any preferential treatment afforded to resident creditors of any particular jurisdiction, holders of the Participating Notes, after receiving any distribution or payment in respect of the Collateral, will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such Participating Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor or other creditors who receive preferential treatment under applicable law. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Participating Notes. As a result, holders of the Participating Notes may receive less, ratably, than holders of other secured indebtedness.

The proceeds of any sale or liquidation of the Collateral (including the mortgaged drilling rigs) following an Event of Default may not be sufficient to satisfy payments due on the Participating Notes.

The market value of the Collateral can be expected to fluctuate, depending upon general economic and market conditions affecting the oil and gas drilling and FPSO services and competition from other drilling companies. Notwithstanding the current or future value of the Collateral, if an Event of Default with respect to the Participating Notes were to occur, our ability to realize such value upon the sale of the Collateral and to satisfy our obligations with respect to the Participating Notes will depend upon market and economic conditions, the physical condition of the Collateral, the availability of buyers with the ability and financial and regulatory capability to own and operate the Collateral and similar and other factors that may exist at the time of sale. Accordingly, there can be no assurance that the proceeds of any sale of the Collateral pursuant to the Indenture and the related security documents following an Event of Default under the Participating Notes would be sufficient to satisfy payments due on the Participating Notes. Furthermore, in certain circumstances the extent to which the mortgages may be enforced and the extent to which the mortgages will have priority over the claims of other creditors is limited as certain creditors may be granted priority by operation of law over the rights of the Trustee and the noteholders arising under the mortgages and the other Collateral securing the Participating Notes.

If the proceeds from a sale of the mortgaged drilling rigs or other Collateral are not sufficient to satisfy payments due on the Participating Notes, the holders of the Participating Notes (to the extent not repaid from the proceeds of the sale of the mortgaged drilling rigs and other Collateral) will have only unsecured claims against the remaining assets of the Company and the Subsidiary Guarantors. In addition, the Collateral securing the Participating Notes may be subject to Liens permitted under the terms of the Indenture governing the Participating Notes, whether arising before, on or after the date the Participating Notes are issued. By operation of law, certain of those Liens will have priority over the claims of the Collateral Trustee and the Noteholders in the Collateral securing the Participating Notes. The existence of any Permitted Liens could adversely affect the value of the Collateral as well as the ability of the Collateral Trustee to realize or foreclose on such Collateral. Additionally, although the

Company and the Subsidiary Guarantors are obligated to take commercially reasonable efforts to cause the Collateral securing the Participating Notes to include assignments of rights to receive receivables under the Encumbered Charter Agreements related to the mortgaged drilling rigs, if an Event of Default with respect to the Participating Notes were to occur, the ability of the Collateral Trustee and the Noteholders to realize the value of such receivables may be limited in that, at such time, one or more defaults may also exist under such Encumbered Charter Agreements which may entitle the Charter Agreement counterparty to terminate the agreement. Charter Agreement counterparties may also fail to abide by the instructions of the Collateral Trustee in terms of directing payments to it following an Event of Default, which may further impair the ability of the noteholders to obtain the benefits of the Encumbered Charter Agreements.

There also can be no assurance that the Collateral will be saleable or that there will be buyers with the financial and regulatory capability to acquire and operate the Collateral, and, even if saleable, the timing of its liquidation is uncertain. To the extent that Liens or other rights granted to third parties encumber the Collateral, such third parties have or may exercise rights and remedies with respect to the Collateral subject to such Liens that could adversely affect the value of the Collateral and the ability of the Collateral Trustee to realize or foreclose on the Collateral. By its nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the Collateral is less than the amount of principal and accrued and unpaid interest on the Participating Notes and all other senior secured obligations, interest may cease to accrue on the Participating Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay the obligations due under the Participating Notes.

See also "—Noteholders rights in any proceeding against a mortgaged drilling rig may depend on the laws of the country where any proceeding is brought, and noteholders may have difficulty enforcing their rights in certain jurisdictions."

Before the creation and perfection of a security interest in the Collateral, the obligations under the Participating Notes and the Note Guarantees may not be fully secured.

Certain security interests in the Collateral may not be in place on the Settlement Date or may not be perfected on the Settlement Date pending certain filings and other actions (including, without limitation, certain required registrations and records with the applicable notaries or registries) necessary for the creation and perfection of such security interests in favor of the Collateral Trustee for the benefit of the Participating Notes and any other applicable Secured Party. Before the creation and perfection of a security interest in the Collateral, the Company's obligations under the Participating Notes and the Subsidiary Guarantors' obligations under the Note Guarantees will not be fully secured.

Accordingly, in the event of a foreclosure, liquidation, bankruptcy or similar proceeding before a security interest in the Collateral in favor of the holder of the Participating Notes is created and perfected, the Company's obligations under the Participating Notes and the Subsidiary Guarantors' obligations under the Note Guarantees will rank equally in right of payment to all of their respective unsecured unsubordinated indebtedness and the proceeds from any sale or liquidation of Collateral would not be required to be applied to the payment of the Company's obligations under the Participating Notes and the Subsidiary Guarantors' obligations under the Note Guarantees.

Pursuant to the Indenture and the related security documents, the Company and the Subsidiary Guarantors have the obligation to ensure that all security interests in the Collateral are duly created and enforceable and perfected, to the extent required by the related security documents, (i) with the consent of holders holding at least a majority of the outstanding principal amount of the Participating Notes, not later than 60 days after the Settlement Date (with respect to Initial Collateral) and (ii) not later than 90 days after the Springing Security Deadline (with respect to the applicable Springing Collateral), which 90-day period is subject to extension for an additional 30 days under certain circumstances relating to registration formalities. As a result, the holders of the Participating Notes may not have the ability to foreclose, or control decisions in respect of, a portion or all of any Collateral until such time as an enforceable and perfected security interest, as applicable, has been created in such Collateral.

Moreover, the failure to properly perfect liens on the Collateral could materially adversely affect the Collateral Trustee's ability to enforce their rights with respect to the Collateral for the benefit of the holders of the Participating

Notes and any other applicable Secured Party. Accordingly, there exists the risk of a loss of the practical benefits of the liens thereon or of the priority of the liens securing the Participating Notes and the Notes Guarantees.

In the event of a U.S. bankruptcy, holders of the Participating Notes may be deemed to have an unsecured claim to the extent that their obligations in respect of the Participating Notes exceed the fair market value of the Collateral.

In any U.S. bankruptcy proceeding with respect to the Company or any of the Subsidiary Guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the Collateral with respect to the Participating Notes on the date of the bankruptcy filing was less than the then-current principal amount of the Participating Notes. Upon a finding by the U.S. bankruptcy court that the Participating Notes are under-secured, the claims in the bankruptcy proceeding with respect to the Participating Notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the Collateral. In such event, the secured claims of the holders of Participating Notes would be limited to the value of the Collateral. Other consequences of a finding that the Participating Notes are under-secured would be, among other things, a lack of entitlement on the part of the Participating Notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the Participating Notes to receive other "adequate protection" under the U.S. Bankruptcy Code. In addition, if any payments of post-petition interest had been made at the time of such finding that the Participating Notes are under-secured, those payments could be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the Participating Notes.

U.S. bankruptcy laws may limit your ability to realize value from the Collateral.

To the extent the Company does become a debtor under U.S. bankruptcy laws, a secured creditor such as a holder of the Participating Notes would be prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval, which may not be given. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "adequate protection." The meaning of the term "adequate protection" under the U.S. Bankruptcy Code may vary according to circumstances, but it is generally intended to protect the value of the secured creditor's interest in the collateral as of the commencement of the bankruptcy case and may include cash payments or the granting of additional or replacement security if and at such times as the bankruptcy court in its discretion determines that the value of the secured creditor's interest in the collateral is declining during the pendency of the bankruptcy case. A bankruptcy court may determine that a secured creditor may not require compensation for a diminution in the value of its collateral if the value of the collateral exceeds the debt it secures.

In view of the lack of a precise definition of the term "adequate protection" under the U.S. Bankruptcy Code and the broad discretionary power of a bankruptcy court, it is impossible to predict:

- how long payments under the Participating Notes could be delayed following commencement of a U.S. bankruptcy case;
- whether or when the Collateral Trustee could repossess or dispose of the Collateral;
- the value of the Collateral at the time of the bankruptcy petition; or
- whether or to what extent holders of the Participating Notes would be compensated for any delay in payment or loss of value of the Collateral through the requirement of "adequate protection."

The international nature of our operations may make the jurisdiction and outcome of any bankruptcy proceedings difficult to predict and the insolvency laws of jurisdiction(s) may not be as favorable to holders of the Participating Notes as U.S. insolvency laws or those of other jurisdictions with which you may be familiar.

The Company is incorporated under the laws of the Grand Duchy of Luxembourg and conducts most of its business from Brazil. Our drilling rig owning subsidiaries are organized under the laws of the British Virgin Islands and the Cayman Islands, and certain other of our subsidiaries are incorporated under the laws of the Grand Duchy of

Luxembourg. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceedings involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply.

We have limited operations in the United States. If we become a debtor under U.S. law, bankruptcy courts in the United States may seek to assert jurisdiction over our assets, wherever located, including assets situated in other countries. There can be no assurance, whatsoever, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such bankruptcy request, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court determined that it had jurisdiction over an insolvency proceeding.

Rather, in the event we do experience financial difficulty, it is not possible to predict with certainty in which jurisdiction an insolvency proceeding would be commenced or the outcome of such proceeding, but it may include, among other jurisdictions, Brazil, where certain decisions of the Company are made, certain members of the Company's management are based and where most of the Company's business is conducted (and, therefore, from which substantially all of the operating revenues that may be available to service the Company's obligations under the Participating Notes are currently derived).

Furthermore, the treatment given to a secured creditor may vary significantly depending on the jurisdiction in which the proceeding is commenced. Therefore, the respective applicable law may be given different treatment and/or not be as favorable to your interests as U.S. bankruptcy law or those of other jurisdictions with which you are familiar.

In Brazil, the right of the Collateral Trustee to repossess and dispose of the Collateral securing the Participating Notes upon acceleration may be significantly impaired by Brazilian Bankruptcy Law if an insolvency proceeding was commenced by or against the issuer or the Subsidiary Guarantors prior to or possibly even after the Collateral Trustee repossesses and disposes of the Collateral.

In the event of a cross-border insolvency, Brazilian courts may impair the seizure of the drilling rigs located in Brazil, in order to protect the business activities in Brazil and/or ensure the payment of the relevant debt in accordance with Brazilian laws.

In addition, in case of judicial reorganization or bankruptcy under Brazilian Bankruptcy Law, it is impossible to estimate the period that payments under the Participating Notes could be delayed.

With respect to the judicial reorganization proceeding, the debtor may continue to retain and to use the collateral and the proceeds, products, rents or profits therefrom. Judicial reorganization binds all pre-filing secured debts, even those not yet due. Creditors will be paid according to the terms set forth in the judicial reorganization plan, which must be approved by the majority of creditors subject to the proceeding in a creditors' meeting and, subsequently, ratified by the relevant court. In certain circumstances, Brazilian Bankruptcy Law also grants the debtor the possibility to cram down the judicial reorganization plan. The reorganization plan results in the replacement and renewal of all debts existing prior to the filing of the judicial reorganization and binds the debtor and all creditors subject to it, although it cannot affect guarantees provided by third parties.

In a bankruptcy liquidation, the Collateral Trustee is prohibited from repossessing or disposing of the Collateral securing the Participating Notes because all assets of the debtor, including the Collateral, will be sold in order to pay the creditors according to the priority order established in the Brazilian Bankruptcy Law. Secured creditors have priority in the ranking and are paid just after labors' claims, up to the amount of the Collateral. Any shortfall will be classified as "unsecured debt."

As described herein, on December 6, 2018, the RJ Debtors jointly filed for judicial reorganization (*recuperação judicial*) with the RJ Court, based on the Brazilian Bankruptcy Law. Ancillary proceedings were subsequently commenced in the United States and the BVI.

Luxembourg bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

The Company and Arazi are incorporated under the laws of Luxembourg, and as such, Luxembourg law may govern insolvency proceedings applicable to them. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. See "Certain Luxembourg Insolvency Law Considerations" of the Offering Memorandum, which should be read as applicable to both the Company and Arazi.

The guarantee granted by Arazi may be subject to limitations under Luxembourg law.

The granting of a guarantee by a Luxembourg company is subject to specific limitations and requirements relating to corporate object and corporate benefit. The granting of a guarantee by a company incorporated and existing in the Grand Duchy of Luxembourg must be permitted by the corporate object (*objet social*) of the Company and not prohibited by its legal form of that company. In addition, there is also a requirement according to which the granting of security by a company has to be for its "corporate interest." The test regarding the guarantor's corporate interest is whether the company that provides the guarantee receives some consideration in return (such as an economic or commercial benefit) and whether the benefit is proportional to the burden of the assistance. A guarantee that substantially exceeds the guarantor's ability to meet its obligations to the beneficiary of the guarantee and to its other creditors would expose its directors or managers to personal liability. Furthermore, under certain circumstances, the managers of the Luxembourg company might incur criminal penalties based on the concept of misappropriation of corporate assets (Article 1500-11 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended). It cannot be ruled out that, if the Commercial District Court held that the relevant transaction constituted a misappropriation of corporate assets or if it could be evidenced that the other parties to the transaction were aware of the fact that the transaction was not for the corporate benefit of the Luxembourg company, the transaction might be declared void or ineffective based on the concept of illegal cause (*cause illicite*). To mitigate these risks, the up-stream / cross-stream guarantees granted by a Luxembourg guarantor will be limited to a certain percentage of, among others, the relevant company's net worth (*capitaux propres*).

Noteholders' rights in any proceeding against a mortgaged drilling rig may depend on the laws of the country where any proceeding is brought, and noteholders may have difficulty enforcing their rights in certain jurisdictions.

The right of the Collateral Trustee to repossess and dispose of the mortgaged drilling rigs upon acceleration or in case of bankruptcy may be significantly impaired by the need to take judicial action in the jurisdiction where the drilling rig is operating to enforce a possessory claim in respect of the mortgaged drilling rigs. Although ownership of the drilling rigs may be registered in one jurisdiction (for example, the Bahamas, Panama or Liberia), the mortgaged drilling rig may be operating within the territorial waters of another jurisdiction (for example, Brazil or India). The arrest and seizure of a mortgaged drilling rig would likely be a matter of law of the jurisdiction in which the drilling rig is operating, and would require a judicial order issued by such jurisdiction's court. The issuance of such judicial order may be challenged by third parties claiming to have a possessory or other interest in the mortgaged drilling rigs. For example, a customer may resist any attempt to physically remove the drilling rigs from their then operating locations on the grounds that the charter agreements provide that such customer should be ensured the quiet enjoyment of the drilling rigs during their term. In addition, the charter agreements may be terminated early in case of the foreclosure of a mortgage. Furthermore, there may be third-party claims under certain maritime liens, including: (1) ports and maritime costs and taxes; (2) seamen's wages; (3) salvage and general average; (4) repairs, supplies and necessaries contracted outside the mortgaged drilling rigs' home port; (5) collision and tort liens; and (6) simple and general damages to the drilling rigs. For example, under Brazilian law, the filing of such a maritime lien by any third party could lead to the arrest and seizure of a mortgaged drilling rig in port. Any judicial proceedings in certain jurisdictions could be subject to lengthy delays resulting in increased custodial costs, and possibly a deterioration in the condition of the drilling rigs and a substantial reduction in the value of the mortgaged drilling rigs.

Furthermore, Brazilian courts may not recognize the validity of a foreign mortgage. In June 2015, the São Paulo court decided that a mortgage registered in Liberia should not be valid under Brazilian law due to the lack of registration of the mortgage with the Brazilian Maritime Court. In February 2016, the appellate court upheld this decision based on the fact that the mortgage was governed by Liberian law, since the mortgage was registered in

Liberia and Liberia is not a signatory of the treaties ratified by Brazil that could support the validity of the registration of a mortgage in a foreign country—the 1928 Havana Convention on International Private Law (the "**Bustamante Code**") and the Brussels Convention of 1926 for the unification of certain rules relating to maritime liens (the "**Brussels Convention**"). However, in November 2017, Brazil's Superior Court of Justice (the "**STJ**") held that the foreign maritime mortgage is valid and effective in Brazil. Notwithstanding, the decision is not binding to other similar cases since judges in Brazil are not required to follow precedent. As a result, different outcomes may arise from different Brazilian courts in lawsuits challenging the recognition in Brazil of foreign maritime mortgages registered in countries that are not parties to the Bustamante Code and the Brussels Convention.

Similarly, under Bahamian, Panamanian and Liberian law, as applicable, the filing of such a maritime lien could lead to the arrest and seizure of the relevant mortgaged Drilling Rig, resulting in lengthy delays, increased custodial costs, deterioration in the condition of the relevant mortgaged Drilling Rig and possibly a substantial reduction in its value. Under Bahamian law, the following liens and privileges will have priority over the mortgage lien securing the noteholders' rights in the any mortgage Drilling Rig registered in the Bahamas: (1) wages and other sums due to the master, officers and other members of the rig's complement in respect of their employment on the rig; (2) port, canal and other waterway dues and pilotage dues; (3) claims against the owner in respect of loss of life or personal injury occurring in direct connection with the operation of the rig; (4) claims against the owner, based on tort and not capable of being based on contract, in respect of loss of or damage to property occurring in direct connection with the operation of the rig; and (5) claims for salvage, wreck removal and contribution in general average. In addition, under Bahamian law, costs arising out of an arrest of the rig or its sale, which are awarded by a court, have priority over all claims out of the proceeds of sale or from moneys paid into court for release from arrest. Upon conclusion of the enforcement of the security interest over either Drilling Rig, our shares or other Collateral, the proceeds from any such enforcement proceedings may not be sufficient to pay noteholders all amounts then due to them under the Participating Notes. Under Panamanian law, the following Liens and privileges will have priority over the mortgage lien securing the noteholders' rights in any mortgaged Drilling Rig registered in Panama: (1) judicial expenses incurred in pursuit of the common interest of maritime creditors; (2) expenses, indemnities and salaries for assistance and salvage owed; and (3) the salaries, retributions and indemnities owed to the captain and crew members. Under Liberian law, the following Liens and privileges will have priority over the mortgage lien securing the noteholders' rights in the mortgage over any Drilling Rig registered in Liberia: (1) liens arising prior in time to the recording of the mortgage, (2) liens for damages arising out of tort, (3) liens in connection with fees and taxes due under Liberian law, (4) liens for crew's wages (5) liens for general average and for salvage (including contract salvage) and (6) expenses and fees allowed and costs taxed by the court.

If we were to default under the Participating Notes, the holders of a majority of the aggregate principal amount of the Participating Notes may direct the Trustee to instruct the Collateral Trustee to foreclose on the Collateral. We cannot assure you that effective or favorable foreclosure procedures and lien priorities will be available in any relevant jurisdiction at that time. Any foreclosure proceedings could be subject to lengthy delays resulting in increased custodial costs, deterioration in the condition of the mortgaged drilling rigs and substantial reduction of the value of such Collateral.

Foreclosing on the mortgaged drilling rigs and other Collateral may be difficult as a consequence of any unavailability of specific performance, summary proceeding or injunctive relief and because they can be transported.

The mortgaged drilling rigs are mobile and may be located in international waters outside the jurisdiction of any court. This may make it difficult for the Collateral Trustee to bring a successful foreclosure action against the mortgaged drilling rigs because the applicable court may not grant the requested specific performance, summary proceeding or injunctive relief and because it may be difficult for the Collateral Trustee or officials of the applicable government or agency to physically seize the drilling rigs and engage in a foreclosure sale.

In addition, the laws of certain other jurisdictions to which the mortgaged drilling rigs may be moved may result in the imposition of maritime liens, which may take priority over the mortgage, and other liens securing the Participating Notes and the Note Guarantees. These liens may arise in support of, among other claims, claims by unpaid rig repairers remaining in possession of the mortgaged drilling rigs, claims for salvage, claims for damage caused by a collision, claims for seamen's wages and other employment benefits and claims for pilotage, as well as potentially claims for necessary goods and services supplied to the mortgaged drilling rigs. This list should not be regarded as definitive or exhaustive, as the categories of claims giving rise to maritime liens, and the ranking of such

liens, may vary by jurisdiction. Maritime liens can attach without any court action, notice, registration or documentation and accordingly their existence cannot necessarily be identified.

We are subject to certain fraudulent transfer and conveyance statutes, which may adversely affect holders of the Participating Notes.

Our obligations under the Participating Notes will be guaranteed by the Subsidiary Guarantors. The Indenture will limit the liability of each Subsidiary Guarantor on its Note Guarantee to the maximum amount that such Subsidiary Guarantor can incur without risk that its Note Guarantee will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect such Note Guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the Note Guarantees would suffice, if necessary, to pay the Participating Notes in full when due. In a bankruptcy case in the United States which was reinstated by the United States Court of Appeals for the Eleventh Circuit on other grounds, this kind of provision was found to be ineffective to protect Note Guarantees; we cannot provide any assurance that U.S. courts in other circuits or non-U.S. courts, including courts in Brazil, Luxembourg, the British Virgin Islands or the Cayman Islands, would not adopt a similar position. The courts in Brazil, Luxembourg, British Virgin Islands or Cayman Islands (as well as a U.S. court presiding over any bankruptcy proceeding) could apply general U.S. principles of fraudulent conveyance to restrict the enforceability of the Note Guarantees by the Subsidiary Guarantors. Under U.S. state fraudulent transfer or conveyance laws and comparable provisions of U.S. federal bankruptcy law, if any such law were deemed to apply, the Participating Notes or the Note Guarantees (or the Liens granted to secure the obligations thereunder) could be voided as a fraudulent transfer or conveyance if (i) we or either of the Subsidiary Guarantors, as applicable, issued the Participating Notes or incurred the Note Guarantees with the intent of hindering, delaying or defrauding creditors, or (ii) we or any of the Subsidiary Guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the Participating Notes or incurring the Note Guarantees and, in the case of (ii) only, one of the following is also true at the time thereof:

- we or any of the Subsidiary Guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the Participating Notes or the incurrence of the Note Guarantees;
- the issuance of the Participating Notes or the Note Guarantees left us or any of the Subsidiary Guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;
- we or any of the Subsidiary Guarantors intended to, or believed that we or such Subsidiary Guarantor would, incur debts beyond our or such Subsidiary Guarantor's ability to pay as they mature; or
- we or any of the Subsidiary Guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such Subsidiary Guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the Participating Notes or the Note Guarantees was a fraudulent transfer or conveyance, the court could void the payment obligations under the Participating Notes or such Note Guarantee, avoid the Liens granted to secure the obligations under the Participating Notes or the Note Guarantees, or further subordinate the Participating Notes or such Note Guarantee to presently existing and future indebtedness of ours or of the related Subsidiary Guarantor, or require the holders of the Participating Notes to repay any amounts received with respect to such Note Guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment of the Participating Notes. Further, the voidance of the Participating Notes could result in an Event of Default with respect to our other debt that could result in acceleration of such debt.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. In addition, a bankruptcy court may find that a Subsidiary Guarantor received less than fair consideration or reasonably equivalent value for its Note Guarantee or Lien to the extent that it did not receive a direct or indirect benefit from the issuance of the Participating Notes.

As courts in different jurisdictions measure insolvency differently, we cannot be certain as to the standards a court would use to determine whether or not we or the Subsidiary Guarantors were solvent or rendered insolvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the Note Guarantees would not be further subordinated to our or any of the Subsidiary Guarantors' other debt. Generally, however, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

The rights of holders of Participating Notes to the Collateral may be adversely affected by the failure to perfect security interests in the Collateral and other issues generally associated with the realization of security interests in Collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The Liens on the Collateral securing the Participating Notes may not be perfected with respect to the claims of Participating Notes if the Collateral Trustee is not able to take the actions necessary to perfect any of these Liens on or prior to the date of the issuance of the Participating Notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified and additional steps to perfect such property and rights are taken. There can be no assurance that the Collateral Trustee will monitor, or that we will inform the Collateral Trustee of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired Collateral.

Neither the Collateral Trustee has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor of Participating Notes against third parties. In addition, the security interest of the Collateral Trustee will be subject to practical challenges generally associated with the realization of security interests in Collateral. For example, the Collateral Trustee may need to obtain the consent of third parties (such as the parties to Encumbered Charter Agreements and insurers) and make additional filings. If the Collateral Trustee is unable to obtain these consents, after the Company and the Subsidiary Guarantors having used commercially reasonable efforts to obtain such consents, or make these filings, the security interests may be invalid and the holders of Participating Notes will not be entitled to the Collateral or any recovery with respect thereto. We cannot assure you that the Collateral Trustee will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Additionally, the ability of the Collateral Trustee to realize upon the Collateral under the assignments of the right to receivables under the Encumbered Charter Agreements and the assignments of insurance relating to the drilling rigs, will most likely require the Collateral Trustee to bring enforcement actions in the jurisdictions under which such Charter Agreements and insurance contracts are governed in order to pursue remedies. Depending on the relevant jurisdiction, the Collateral Trustee's ability to exercise remedies and realize any recovery on such items of Collateral may be severely limited or may not be possible depending on the facts and circumstances relating to such claim and the foreign jurisdiction in which such claim is being pursued. Accordingly, the Collateral Trustee may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

To the extent that mortgages on all of the mortgaged drilling rigs or other related Collateral are not in place at the time of the issuance of the Participating Notes, the value of the Collateral may be impacted. Delivery of such mortgages and other Collateral after the Settlement Date of the Participating Notes increases the risk that the Liens granted by those mortgages and other Collateral could be avoided.

The mortgages on, and other Collateral relating to, all of the mortgaged Drilling Rigs and the associated property and contract rights may not be in place at the time of the issuance of the Participating Notes. One or more of these mortgages or other items of Collateral may constitute a significant portion of the value of the Collateral. We will use our commercially reasonable efforts to promptly complete all filings and other similar actions required in connection with the perfection of security interests in the intended Collateral. If we are unable to provide a perfected security interest in one or more items intended to be Collateral, the overall value of the Collateral securing the Participating Notes will be reduced. If we were to become subject to a bankruptcy proceeding after the Settlement Date of the Participating Notes, any Collateral delivered after the Settlement Date of the Participating Notes would face a greater risk of being invalidated than if we had delivered it at the Settlement Date. If an item of Collateral is delivered after the Settlement Date, it may be treated under bankruptcy law as if it were delivered to secure previously existing debt, which may make it more likely to be avoided as a preference by the bankruptcy court than if the item of Collateral were delivered and promptly recorded on the Settlement Date of the Participating Notes. To the extent that the grant of a security interest in such Collateral is avoided as a preference, holders of the Participating Notes would lose the benefit of the property encumbered by that item of Collateral that was intended to constitute security for the Participating Notes. See also Article 11 of the Indenture.

The Springing Collateral will not be granted in favor of the holders of the Participating Notes prior to the Springing Security Deadline. If the Company, or any Subsidiary Guarantor, were to become subject to a bankruptcy proceeding within 90 days after the Liens are recorded or perfected, the Liens would face a greater risk of being invalidated than if they had been recorded or perfected on the Settlement Date of the Participating Notes.

We have agreed to secure the Participating Notes and the Note Guarantees by granting first Liens, subject to Permitted Liens, on the Springing Collateral of such Springing AssetCo Grantor on the related Springing Security Deadline, and to take other steps to assist in creating and perfecting the security interests granted in the Springing Collateral. See Article 11 of the Indenture. In bankruptcy proceedings commenced within 90 days of Lien perfection, a Lien given to secure previously existing debt is materially more likely to be avoided as a preference by the bankruptcy court than if delivered and promptly recorded on the Settlement Date of the indebtedness. As a result, if we, or any Springing AssetCo Grantor, were to become subject to a bankruptcy proceeding within 90 days after the Liens on the Springing Collateral are recorded or perfected, the Liens would face a greater risk of being invalidated than if they had been recorded or perfected on the Settlement Date of the Participating Notes. To the extent that such challenge succeeded, you would lose the benefit of the security that the Springing Collateral was intended to provide.

There are circumstances other than repayment or discharge of the Participating Notes under which the Collateral will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, all or a portion of the Collateral may be released, including:

- to enable the sale, transfer or other disposal of such Collateral in a transaction not prohibited under the Indenture including the sale of any entity in its entirety that owns or holds such Collateral;
- with respect to Collateral held by a Subsidiary Guarantor, upon the release of such Subsidiary Guarantor from its Note Guarantee as permitted by the Indenture; and
- in connection with an amendment to the Indenture or the related security documents that has received the required consent.

In addition, the Note Guarantee of a Subsidiary Guarantor will be released in connection with a sale of such Subsidiary Guarantor in a transaction not prohibited by the Indenture. The Indenture will also permit us, under certain circumstances, to designate one or more of our restricted subsidiaries that is a Subsidiary Guarantor of the

Participating Notes as an unrestricted subsidiary. If we designate a Subsidiary Guarantor as an unrestricted subsidiary as permitted by the Indenture, all of the Liens on any Collateral owned by such subsidiary or any of its subsidiaries and any Note Guarantees of the Participating Notes by such subsidiary or any of its subsidiaries will be released under the Indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the Collateral to the extent that Liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a structurally senior claim on the assets of such unrestricted subsidiary and its subsidiaries.

An active trading market for the Participating Notes may not develop.

The Participating Notes constitute a new issue of securities, for which there is no existing market. We do not intend to apply to list the Participating Notes on any exchange. In addition, we are not under any obligation to make a market with respect to the Participating Notes, and we cannot assure you that trading markets will develop or be maintained, that holders of the Participating Notes will be able to sell their Participating Notes, or the price at which such holders may be able to sell their Participating Notes. If an active trading market were to develop, the Participating Notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, the risk associated with Brazilian issuers of similar securities and the market for similar securities. If an active trading market for the Participating Notes does not develop or is interrupted, the market price and liquidity of the Participating Notes may be materially adversely affected.

Risks Relating to our Restructuring

The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA.

After the date of this Offering Memorandum and prior to the Settlement Date, the proposed terms of the definitive documentation reflecting the Novated Indebtedness may be modified with the consent of required creditors under the PSA (which includes the Backstop Investors) in accordance with the terms of the RJ Plan and the PSA. As a result, the final terms of the Participating Notes (including the terms relating to the FPSO Disposition and any structure related thereto, including putting such assets in trust prior to the FPSO Disposition) may be different than those included in the RJ Plan, the PSA and the Indenture as attached hereto as Appendix B. By electing to participate in this Rights Offering and subscribing for the First Lien Tranche, you will represent and agree that you understand that the terms of the definitive documentation related to the Novated Indebtedness (including the Indenture, the Participating Notes and the Intercreditor Agreement) and the PSA and RJ Plan may be amended without your consent in accordance with the terms of the RJ Plan and the PSA.

If we fail to comply with the conditions set forth in the RJ Plan, the RJ Proceeding may be terminated and we may be declared bankrupt under Brazilian Bankruptcy Law.

Under the terms of the RJ Plan, in the event that the Rights Offering is not fully subscribed and the Backstop Investors do not subscribe for the unsubscribed portion of the First Lien Tranche in accordance with the Backstop Agreement, all Existing 2024 Notes will be novated and replaced as Non-Participating Notes, unless creditors agree by the appropriate quorum provided for under Brazilian Bankruptcy Law in a meeting of creditors called for that purpose to the total or partial waiver or modification of the Minimum Subscription Amount. If other conditions are not met (a "**Milestone Breach")**, the RJ Plan may be terminated, unless the required creditors under the PSA agree to the total or partial waiver or modification of such conditions. In the event of such Milestone Breach, the Company shall automatically have 45 calendar days following the date of the applicable Milestone Breach (or if such date is not a Business Day, on the immediately preceding Business Day) (the "**Standstill Period**"), during which it may: (i) propose a workaround solution satisfactory to the consenting lenders and the consenting noteholders under the PSA, or (ii) convene and hold a new creditors' meeting for the purpose of voting on an amendment to the RJ Plan (each of (i) and (ii) a "**Viable Solution**"), to be presented exclusively by the Company, that is satisfactory to the consenting lenders and the consenting noteholders under the PSA. In the event of failure to reach a Viable Solution within the Standstill Period, the RJ Plan shall be rescinded, all approvals, including the approval by the applicable consenting stakeholders of the RJ Plan of substantive consolidation and the RJ Plan's effects and all authorizations, approvals, releases or consents given by creditors therein shall be considered null and

void and, and all rights of the consenting stakeholders shall be automatically reinstated, fully restored to the *status quo ante* prior to the vote by the applicable consenting stakeholders at the creditors' meeting, and the creditors would be permitted to seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court.

In the event that the RJ Plan is terminated, we cannot predict (1) whether our creditors will be able to agree on a modification of the RJ Plan that will garner sufficient support to be approved by our creditors and confirmed by the RJ Court, (2) what modifications the RJ Plan may suffer and the impact of these modifications on our company, (3) whether the Company would be able to reach a Viable Solution within the Standstill Period or (4) whether our creditors would seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court, which under Brazilian law is generally followed by a liquidation of the debtors. The termination of the RJ Plan and the occurrence of any of these events after such termination is likely to have a material adverse effect on our business, financial condition, results of operations and ability to continue as a going concern.

Olinda Star is subject to the Olinda BVI Proceeding and we cannot assure you whether Olinda Star will be able to guarantee the Participating Notes.

Olinda Star is currently in provisional liquidation but is not an RJ Debtor under the RJ Plan. Olinda Star was removed from the RJ Proceeding and is therefore seeking to restructure its indebtedness in a way that mirrors the RJ Proceeding (to the extent possible) pursuant to a restructuring process that is permissible under BVI law. However, there is no guarantee that any such restructuring process in the BVI will be successful. Under the terms of the Indenture, Olinda Star is only required to guarantee the Company's obligations under the Participating Notes, upon the occurrence of the Springing Security Deadline for Olinda Star. Accordingly, we cannot assure you whether Olinda Star will be able to guarantee the Participating Notes. To the extent that Olinda Star does not guarantee the Participating Notes by a date to be agreed to by the Company and the required creditors under the PSA, the Company may be subject to remedial provisions to be agreed to by such parties. However, there is no guarantee that such parties will agree to any such remedial provisions and therefore, no penalty may apply to any delay or non-occurrence of Olinda Star guaranteeing the Participating Notes.

Risks Relating to Our Company

Historically, we have derived significant portions of our revenue from a single customer. While our current customer base is made up of multiple customers, we may in the future rely on only a few customers. If this happens, the loss of any such client would have a material effect on us.

Historically, most of our existing rigs, including four semi-submersible rigs, five FPSOs (in which we have invested) and all three of our drillships in operation were chartered to Petrobras. As of the years ended December 31, 2018 and 2017, Petrobras represented approximately 91% and 99%, respectively, of our gross revenue. While our recent customers include Shell Brasil, Total Brasil, Enauta Energia S.A. ("**Enauta**"), ONGC and Petrobras, we may in the future be required to rely on only a few customers. Our results of operations would be materially adversely affected if such customers were to terminate their contracts with us or refuse to award new contracts to us, as there may only be a limited number of potential customers that are available in the marketplace at any time.

Our customers may seek to renegotiate or terminate certain of our drilling contracts if we experience excessive delivery and acceptance delays for our assets, downtime, operational difficulties or safety-related issues, or in case of non-compliance with our obligations set forth in the drilling contracts, which would materially adversely affect our ability to realize our backlog of contract revenue.

Our contracts with our customers permit them to terminate or seek to renegotiate their contracts, or seek to impose penalties, if we experience (1) delays in delivering a contracted rig, (2) any failure of a contracted rig to pass initial acceptance testing within the period specified in the contract, (3) downtime or operational problems that exceed permissible levels under our contracts, (4) specified safety-related issues, or (5) any failure to comply with other obligations set forth in such contracts. The damages we suffer and the expenses we may incur from any of these events are not always fully payable or reimbursable. For example, in December 2018 and May 2019, Olinda Star was evacuated from the east coast of India for safety reasons due to the proximity of tropical storms. Following the storms and following testing and inspections to ensure the safety of the rig and our crew, Olinda Star resumed operations. As of the date of this Offering Memorandum, there is no evidence of pollution or environmental damage in connection with these events.

The recent downturn in the oil and gas market might affect not only the dayrates, but also the standard terms and conditions of contracts we enter into the future. These contracts may include a termination clause related to convenience and recently these termination clauses have been included in charter and service agreements. Many of these clauses contemplate a termination fee payable to the contractor, while others only include a payment for those services already rendered. Although we negotiate these terms and conditions by including minimum contract durations and exceptions and other carve-outs, we may not always succeed. Termination of our contracts as a result of these clauses may cause us to incur significant costs and expenses that may not be fully reimbursable.

As of December 31, 2018, we maintained a backlog of U.S.$1.5 billion for contract drilling and FPSO services. This backlog included: (1) U.S.$86.3 million from the Olinda Star drillship, (2) U.S.$6.8 million from the Laguna Star drillship, U.S.$3.8 million from the Amaralina Star drillship, U.S.$29.7 million from the Brava Star drillship and U.S.$1,384.8 million from our interest in joint ventures with SBM Holding, related to our investments in FPSOs, including U.S.$63.5 million from our 20.0% interest in FPSO Capixaba, U.S.$512.8 million from our 20.0% interest in FPSO Cidade de Paraty, U.S.$428.9 million from our 12.75% interest in FPSO Cidade de Ilhabela, U.S.$189.1 million and U.S.$190.6 million from our 5% interest in two joint ventures with SBM Luxembourg, related to our investments in FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively. As described in "Summary—Our Assets—FPSOs", in accordance with the RJ Plan, we are required to consummate the FPSO Disposition on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA).

If we are unable to obtain new and favorable contracts or renew contracts for rigs that expire or are terminated, our revenue and profitability would be materially adversely affected.

Our Gold Star, Lone Star, Alpha Star, Atlantic Star and Amaralina Star drilling rigs are currently not under contract, and our existing Brava Star drilling contract expires in 2019 and our Olinda Star and Laguna Star drilling contracts expire in 2021. Our ability to obtain new contracts or renew existing contracts on favorable terms and conditions will depend on market conditions. We may be unable to obtain new contracts or renew or replace existing contracts for these rigs, and the dayrates under any new or renewed contracts may be substantially lower than the dayrates in existing or prior contracts, which could materially adversely affect us. See "—Risks Relating to Our Industry—A reduction in long-term demand for our services may materially adversely affect our ability to successfully negotiate the renewal terms of our current charter and service contracts or enter into new charter or service contracts upon termination of our current contracts."

We pursue long-term dayrate contracts with our customers. Increases in operating costs, which fluctuate, including based on certain events outside our control, could materially adversely affect our profitability.

In periods of rising demand for rigs, drilling contractors generally prefer to enter into well-to-well or other short-term contracts that allow the contractor to profit from increasing dayrates, while customers with established long-term drilling programs typically prefer longer term contracts in order to maintain dayrates at a consistent level. Conversely, in periods of decreasing demand for offshore drilling rigs, drilling contractors generally prefer long-term contracts to preserve dayrates and avoid idle periods, while customers generally prefer well-to-well or short-term contracts that allow the customers to benefit from the decreasing dayrates. As of the date of this Offering Memorandum, dayrates have slightly recovered since 2017.

In general, our operating costs increase as the business environment for drilling services improves and demand for oilfield equipment and skilled labor increases. In addition, the costs of materials, parts and equipment maintenance fluctuate depending on the type of activity and the age and condition of the equipment. While many of our contracts include escalation provisions that allow us to increase the dayrate based on the consumer price index as published by the United States Bureau of Labor Statistics and by the IBGE and FGV, the timing and amount we earn from these higher dayrates may differ or be delayed from our actual higher operating costs. Additionally, we may incur expenses relating to preparation for drilling operations under a new contract. If our rigs are idle between assignments, the opportunity to reduce the size of our crews on these rigs may be limited as our crews may be engaged in preparing the rig for a new assignment. When a rig faces longer idle periods, reductions in operating costs also may take time as our crew may be required to prepare the idle rig for stacking and for maintenance in the stacking period. Our increased operating costs and financial expenses may result in our operating at a net loss in the future. Given our high percentage of long-term dayrate contracts with limited cost escalation provisions, we may not be able to recoup increased operating costs, which may adversely affect our margins and profitability.

An increase in costs necessary to enter into new agreements could adversely affect our operations, and we may be required to make capital expenditures to maintain our fleet and to comply with laws and regulations and standards of governmental authorities and organizations, or to enter into new agreements, each of which could have a material adverse impact on our available cash resources and results of operations.

As of the date of this Offering Memorandum, we have a total of five semi-submersible rigs and three drillships. We are currently seeking new customers for the majority of our offshore and onshore rigs as well as new opportunities in the international market, and we may experience additional or unexpected costs related to the entering into of new agreements and face new risks related to operating in new markets, including costs related to our learning curve in the new market and our operations, which could be different and higher than originally estimated. Any additional costs may adversely affect our capital and operating expenditures. These expenditures could increase as a result of changes in the following:

- customer requirements
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor and raw materials, particularly steel;
- length of drilling contracts;
- shortage of shipyard capacity globally and in Brazil;
- shipyard availability or disputes with shipyards;
- financial and other difficulties at shipyards and other suppliers;
- work stoppages; and
- impact of new governmental regulations and tax, among others.

Given the current market conditions, we do not intend to invest in new vessels. If we enter into contracts for construction or refurbishment in the future, significant cost overruns or delays for these or other reasons could materially adversely affect our financial condition and results of operations. The damages we suffer and the expenses we incur from any of these events are not always fully reimbursable by the shipyards constructing the units. Additionally, our actual capital expenditures for rig upgrade, refurbishment and construction projects as well as in connection with adapting our rigs for international tenders could materially exceed our budgeted capital expenditures. Delays in commencing operations due to upgrades or refurbishments may also incur penalties or provide termination rights to the operator, which now are common terms and conditions of tenders.

We had U.S.$1,475.2 million in total debt as of December 31, 2018 (or U.S.$1,595.2 million, after giving pro forma effect to the Restructuring) and we may be unable to reduce our debt over time.

We have a large amount of indebtedness in relation to our equity. Our substantial indebtedness could adversely affect our ability to repay the Participating Notes. Our level of indebtedness could have important adverse consequences to you, including the risks that:

- our ability to obtain additional financing for working capital, capital expenditures, strategic investments or general corporate purposes may be impaired in the future;
- we may not be able to refinance our existing indebtedness and renew, extend or replace our letters of credit on terms that are favorable to us or at all;
- a substantial portion of our cash flows from operations must be dedicated to the payment of principal and interest on our indebtedness, decreasing the amount of cash available for other purposes;
- our level of indebtedness may prevent us from raising the funds necessary to repurchase all of the Participating Notes upon the occurrence of a change of control event; and

- our failure to comply with the restrictive covenants contained in the instruments governing our indebtedness, which, among other things, may require us to maintain certain financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or our prospects.

In addition, our strategy to reduce our leverage over time may not be successful, which could further emphasize the risk described above.

We are a holding company that depends on dividend distributions from our operating subsidiaries, and we have a substantial amount of indebtedness, which could restrict our financing and operating flexibility.

As of December 31, 2018, our total debt was U.S.$1,475.2 million, or U.S.$1,595.2 million, after giving pro forma effect to the Restructuring. Our existing level of indebtedness and the requirements and limitations imposed by our debt instruments could materially adversely affect us. In particular, our loans incurred by the SPVs that own our rigs to finance their construction or refurbishment are secured by the rigs and related assets, including accounts into which the amounts payable under our charter agreements are required to be paid. We are a holding company that depends on dividend distributions from our operating subsidiaries. The terms of most of the debt instruments to which our project subsidiaries are party restrict their ability to pay dividends, incur additional debt, grant additional liens, sell or dispose of assets and enter into certain acquisitions, mergers and consolidations, except with the prior consent of the respective creditors. Furthermore, some of our debt instruments include financial covenants that require us and/or our subsidiaries to maintain compliance with certain specified financial ratios. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments on our indebtedness, including the Participating Notes. The occurrence of a payment event of default or acceleration under any of our debt instruments may trigger events of default or cross-defaults under our other debt instruments. We may be unable to incur additional debt in an amount necessary to finance our capital expenditure needs, which could materially adversely affect us.

If we are unable to meet our debt service obligations or comply with our debt covenants, we could be forced to renegotiate or refinance our indebtedness, sell assets or seek to raise additional equity capital, which could restrict our financing and operating flexibility.

The ownership and operation of rigs and FPSO units involve numerous operating hazards, and the insurance we purchase may not cover all of our losses and may not be renewed on favorable terms, including reasonable premiums. Accidents may subject us to civil, property, environmental and other damage claims, including by Petrobras, federal, state or municipal governmental entities in Brazil, and third parties.

Although we follow industry best practices, our oil and gas service operations, particularly our rigs and FPSOs in which we hold investments, are subject to hazards inherent to drilling and FPSO activities and operation of oil and gas wells, such as: fires; explosions; pressures and irregularities in formations; blowouts and surface cratering; uncontrollable flows of underground gas, oil and formation water; natural disasters, such as adverse weather conditions, pipe or cement failures, casing collapses and, lost or damaged oilfield drilling and service tools; and environmental hazards, such as gas leaks, oil spills, pipeline ruptures and discharges of toxic gases and oil. The occurrence of any of these events could result in the suspension of our drilling or FPSO operations, severe damage to, or destruction of our rigs, injury or death to our personnel and environmental damage and resulting containment and clean-up costs, in addition to administrative and criminal penalties. We are also subject to personal injury and other claims by the crews of our rigs as a result of both marine and drilling operations. We may also be subject to potentially unlimited civil, property, environmental and other damage claims by Petrobras and other clients, federal, state or municipal governmental entities and authorities in Brazil, and affected third parties.

We currently have insurance for our rigs covering their hulls and machinery, liability in connection with certain environmental damage and removal of wrecks or debris and third-party liabilities, in amounts that our management deems appropriate. See “Business—Insurance.”

However, there can be no assurance that the insurance we currently have, or the insurance we seek to acquire, will be available to us on favorable terms, at reasonable prices or at all, that the amounts of such insurance will be sufficient to cover the related losses, including after taking into account loss deductibles on such insurance, or that the insurers will not dispute their obligations under the policies for any applicable losses. In addition, at the time of

any renewal of the insurance on our rigs, the coverage available to us may be significantly less than our existing coverage and the premiums we are required to pay may be substantially higher than those under our existing policies.

Any of these risks could have a material adverse effect on us and our ability to conduct our operations.

We have a limited number of potential customers.

The E&P market in Brazil is currently dominated by Petrobras, and the number of other oil and gas E&P companies in the market is limited. Further, mergers among oil and gas E&P companies have reduced, and may from time to time further reduce the number of available customers. A reduced number of potential customers could increase the ability of remaining potential customers to achieve favorable pricing terms, which would adversely materially affect us.

Certain of our partnerships or joint ventures may not succeed due to several factors.

The risks related to our partnerships and joint ventures include, among others: (1) difficulty in maintaining a good relationship with our partners and joint ventures (current and future); (2) financial, operational, regulatory or reputational difficulties of our partners or joint ventures, which difficulties may result in delay or cancellation of joint venture projects or additional investments; and (3) divergence of financial, commercial or strategic interests between us and our partners or joint ventures. The occurrence of these risks may adversely affect the estimated results of our partnerships or joint ventures, may reduce our expected backlog, or may result in the need for additional investments or the loss of investments we have made (or may make in the future) in these partnerships or joint ventures.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws and regulations. Our violations of any such laws or regulations could have a material adverse effect on our reputation, our results of operations and our financial condition.

We, our subsidiaries and our joint venture partners are subject to a number of anti-corruption, anti-bribery and anti-money laundering laws and regulations in Brazil and of other jurisdictions. If we, our subsidiaries, or our joint venture partners fail to comply with any of these laws, we could be subject to civil, administrative and criminal investigations like those related to "Lava-Jato" investigations, that could result in penalties, other remedial measures and legal and other expenses, which could materially adversely affect our business, reputation, results of operations and financial condition.

SBM Offshore, the parent company of SBM Holding, which is our joint venture partner in our FPSOs, was the subject of investigations related to violation of anti-corruption laws. In December 2018, SBM Offshore announced that the Brazilian authorities had approved its leniency agreement with the public prosecutor. In addition, our subsidiary, Angra Participações B.V. ("**Angra**") is a shareholder with Sete International One GmbH ("**Sete International**"), a subsidiary of Sete Brasil Participações S.A. ("**Sete Brasil**"), and the associated entities Urca Drilling B.V. ("**Urca**"), Bracuhy Drilling B.V. ("**Bracuhy**") and Mangaratiba Drilling B.V. ("**Mangaratiba**") under shareholders' agreements (the "**Sete Brasil Shareholders' Agreements**") relating to the ownership, commissioning and operation of the Urca, Bracuhy and Mangaratiba drilling rigs (the "**Sete Rigs**"). See "—Shareholder and Joint Venture Agreements—Shareholders Agreements Related to Sete Rigs" below for more information. Sete Brasil reportedly is under investigation by certain Brazilian and other authorities related to alleged illicit payments. While we do not expect these investigations to have a future impact on our results of operations, we cannot assure you that any future violations by us, our subsidiaries or any of our joint ventures could subject us to civil or administrative penalties, other remedial measures and legal and other expenses, each of which could have a material adverse effect on our results of operations, even if such civil or administrative penalties or investigations result from false allegations or are based on incorrect information.

We may be subject to conflicts of interest in future transactions with related parties.

We have entered into, and may in the future enter into, agreements with other companies of our controlling shareholder's economic group, including charter and services agreements with Enauta, which is involved in oil and gas E&P operations in Brazil, or other related parties. Although we have no obligation to enter into transactions with related parties, and if we do enter into any such transactions we have agreed that we will do so under terms

negotiated on an arm's length basis, conflicts of interests may arise from our relationship with our controlling shareholder and other companies of our controlling shareholder's economic group, which may adversely affect, interrupt or alter our relationship with other companies of our controlling shareholder's economic group and materially adversely affect our results of operations.

Our controlling shareholder owns 74.14% of our total capital stock and 75.10% of our voting stock. As a result, our controlling shareholder is and will be able to effectively control the election of our executive officers, determine the outcome of substantially all actions requiring shareholder approval and shape our corporate and management policies. So long as our controlling shareholder continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to effectively control our decisions, including, in certain cases with the consent of CIPEF, our divestitures and other significant corporate decisions and transactions. The interests of our controlling shareholder may not coincide with yours as a holder of the Participating Notes and it may have an interest in undertaking actions that could enhance its equity interests, even though those actions might involve risks to you as a holder of the Participating Notes. See "Certain Relationships and Related Party Transactions—Shareholders' Agreement."

We may be subject to legal proceedings from time to time.

The nature of our business exposes us to various litigation matters, including, but not limited to, environmental matter claims, regulatory and administrative proceedings, governmental investigations, tort claims and contract disputes. We contest these and other matters vigorously and make insurance claims where appropriate. However, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome of existing or future litigation. Although we make accruals as we believe are warranted, the amounts that we accrue could vary significantly from any amounts we actually pay, due to the inherent uncertainties and shortcomings in the estimation process. Future litigation costs, settlements or judgments could materially and adversely affect our results of operations. For a description of our current legal proceedings, see "Business—Legal Proceedings."

Our subsidiaries in the British Virgin Islands may be found to not be in compliance with economic substance legislation.

The British Virgin Islands has recently enacted the Economic Substance (Companies and Limited Partnerships) Act, 2018, which requires certain entities incorporated, formed or registered in the British Virgin Islands to either (a) be tax resident in an approved foreign jurisdiction, or (b) have adequate economic substance in the British Virgin Islands in respect of nine specified activities, should any such entity carry on such an activity. The legislation is new and has not been tested in the British Virgin Islands courts and, accordingly, there is no judicial guidance available on what constitutes "adequate" substance. There are twenty-three (23) subsidiary companies incorporated in the British Virgin Islands as part of the Constellation Group. If our subsidiaries are found to be in breach of the legislation, they may be subjected to fines, and potentially struck off the register of companies in the British Virgin Islands.

Our subsidiary in the Cayman Islands may be found to not be in compliance with economic substance legislation.

The Cayman Islands has recently enacted the International Tax Co-operation (Economic Substance) Law, 2018, which requires certain entities incorporated, formed or registered in the Cayman Islands to either (a) be tax resident in an approved foreign jurisdiction, or (b) have adequate economic substance in the Cayman Islands in respect of certain "relevant activities", should any such entity carry on such an activity. The legislation is new and has not been tested in the Cayman Islands courts and, accordingly, there is no judicial guidance available on what constitutes "adequate" substance. Star International Drilling Limited is incorporated in the Cayman Islands and is part of the Constellation Group. If Star International Drilling Limited is found to be in breach of the legislation, it may be subjected to fines, and potentially struck off the register of companies in the Cayman Islands.

Risks Relating to Our Industry

A substantial or extended decline in expenditures by oil and gas companies due to a decline or volatility in oil and gas prices may reduce long-term demand for our services.

Oil and gas prices and market expectations regarding potential changes in these prices significantly affect the level of exploration, development and production activity by oil and gas companies. Oil and gas are commodities,

and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand. Oil and natural gas prices have historically been volatile, and have dropped significantly from late 2014 to early 2015, when Brent crude oil prices ("**Brent**") traded as low as U.S.$28.84 per barrel in January 2016. After a slow recovery, Brent was trading as high as U.S.$74.57 per barrel in April 2019. This lengthy decrease in oil prices has in turn caused a sustained decline in the demand for offshore drilling services. Operators have implemented significant declines in capital spending in their budgets during this downturn, including the cancellation or deferral of existing programs, and are expected to maintain cost discipline. In addition, major operators are also investing in renewable energy, including wind, solar and biofuel.

The prices that oil and gas producers receive for their production and the levels of their production depend on numerous factors beyond their control, including, but not limited to:

- political and economic conditions, including embargoes, wars, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities, insurrection or other crises in the Middle East, Africa, South America or other geographic areas or acts of terrorism in the United States, or elsewhere;
- the global demand for oil and gas;
- the cost of exploring for, developing, producing and delivering oil and gas;
- the policies of the Brazilian government regarding exploration and development of their oil and gas reserves;
- advances in exploration, development and production technology;
- Brazilian tax and royalty policies; and
- the development and availability of alternative fuels.

Any prolonged reduction in oil and gas prices may reduce the levels of exploration, development and production activity. Moreover, even during periods of high commodity prices, our customers may cancel or curtail their drilling programs, or reduce their levels of capital expenditures for E&P for a variety of reasons, including their lack of success in exploration efforts. Additionally, multiple deepwater and midwater drillships and semisubmersibles have completed their contracts prior to signing new ones for continued work, leading to an oversupply of drilling rigs. These developments have exerted pricing pressure on our market. We cannot accurately predict the future level of demand for our services or future conditions in the oil and gas industry. If these or other factors were to reduce the level of exploration, production and development of oil and gas, it could cause our revenue and margins to decline, decrease dayrates and reduce utilization of our rigs and limit our future growth prospects. A significant decrease in dayrates or the utilization of our rigs could materially reduce our revenue and profitability.

A reduction in long-term demand for our services may materially adversely affect our ability to successfully negotiate the renewal terms of our current charter and service contracts or enter into new charter or service contracts upon termination of our current contracts.

Our charter and service agreements are long-term contracts, subject to renewal upon our and our counterparty's consent. As a result, the long-term profitability of our operations and our ability to successfully negotiate the renewal terms of our drilling contracts depends upon long-term conditions in the oil and gas industry and, specifically, the level of exploration, development and production activity by oil and gas E&P companies. This is particularly relevant to us as an oil and gas contract drilling company, because we make significant investments in and incur significant amounts of indebtedness related to our operating units, and we therefore depend on the efficient utilization of these assets. Any prolonged reduction in long-term-demand for our services or reduction in the level of exploration, development and production activity of oil and gas, may adversely affect our ability to successfully negotiate the renewal terms of our charter and service contracts over the long-term or enter into new charter or service contracts upon termination of our contracts, which could result in a significant decrease in the utilization of our rigs and materially reduce our revenue and profitability.

Global ultra-deepwater rig and FPSO demand is highly dependent on Petrobras' development plan for offshore drilling in Brazil.

In December 2018, Petrobras disclosed its five-year investment plan, which provides for an aggregate of U.S.$84.1 billion in capital expenditure from 2019 through 2023, representing a 25% increase from an aggregate of U.S.$74.5 billion in capital expenditures in its 2018-2022 investment plan. Approximately U.S.$68.8 billion (or 82%) of these capital expenditures are budgeted for E&P projects, which may lead to a slight increase in demand for our services. Petrobras expects to reach a total production of oil and gas, in Brazil and abroad, of 3.4 million boepd in 2022. However, Petrobras may not spend the sums outlined in its business plan within the next several years or at all.

Additionally, the efficiency of drilling operations in offshore Brazilian waters has increased significantly, reducing the time needed to drill a pre-salt well from an average of 200 days to an average of 90 to 100 days, which may result in oversupply of drilling rigs (given that rigs on average remain active shorter periods) and longer periods of stacking. This is particularly relevant to us as an oil and gas contract drilling company, because we make significant investments in and incur significant amounts of indebtedness related to our operating units, and therefore, we depend on the efficient utilization of these assets. In addition, the extraction of oil and gas from the Brazilian oil fields may be more costly than currently estimated, and the volume and quality of oil and gas reserves may be lower than estimated. Furthermore, Petrobras may not be able to obtain the necessary financing for its E&P program due to budget pressures, higher interest rates, adverse credit or equity markets and other factors. Lower oil prices or lower-than-expected production may also prompt Petrobras to curtail its drilling program. Any substantial reduction in Petrobras' proposed offshore drilling or FPSO program would reduce demand for offshore drilling or FPSO services worldwide, which may materially erode dayrates and/or utilization rates for our semi-submersible rigs, drillships and FPSO units in which we have investments, which could have a material adverse effect on us.

Our industry is highly competitive and cyclical, with potential intense price competition and oversupply of drilling equipment.

The contract drilling industry is highly competitive with numerous international and domestic industry participants. Drilling contracts are generally awarded on a competitive bid basis. Intense price competition is often the primary factor in the bidding process, although technical specifications, safety records, competency, rig availability and location are also considered in determining which qualified contractor is awarded a contract. Demand for contract drilling and related services is influenced by a number of factors, including current and expected prices of oil and gas and expenditures of oil and gas companies for E&P activities. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond our control, including the level of costs for Brazilian offshore oilfield and construction services, the discovery of new oil and gas reserves in Brazil, the cost of non-conventional hydrocarbons in Brazil and Brazilian regulatory restrictions on offshore drilling. Our competition includes international companies and Brazilian-controlled companies. Certain of our competitors have fleets that are more diverse and may have greater financial resources than we do, which may enable them to compete more effectively based on price and have more capacity to adapt their current rigs to required specifications, build new rigs or acquire existing rigs.

In addition, the contract drilling business is subject to cyclical variations. In particular, the offshore service industry has been highly cyclical, with periods of high demand, limited rig supply and high dayrates, often followed by periods of low demand, excess rig supply and low dayrates. Periods of low demand and excess rig supply intensify the competition in the industry and often result in rigs, particularly lower specification rigs, being idle for long periods of time or being scrapped. Prolonged periods of low utilization and reduced dayrates could result in our having to recognize impairment charges on certain of our rigs if future cash flow estimates, based upon information available to our management at any time, indicates that we may be unable to recover the carrying value of these rigs. If we are unable to compete successfully for future drilling contracts or adequately manage the cyclical nature of our business, there would be a material adverse effect on our margins and our results of operations.

Moreover, demand and contract prices customers are willing to pay for our rigs are affected by the total supply of comparable rigs available for service in Brazil. During prior periods of high utilization and dayrates, industry participants have increased the supply of rigs by ordering the construction of new rigs. Historically, this has created an oversupply of drilling rigs and has caused a decline in utilization and dayrates when these rigs enter the market,

sometimes for extended periods of time, until such rigs have been absorbed into the active fleet. Many of our competitors have already postponed delivery dates of their rigs under construction, or cancelled their contracts with the shipyards. Nonetheless, the number of rigs to be delivered still negatively affects the market. We estimate there are approximately two ultra-deepwater rigs scheduled for delivery between 2019 and early 2022 of which are not yet contracted to clients. The entry into new agreements, as well as changes in our competitors' drilling rig fleets, could require us to make material additional capital investments to keep our rig fleet competitive.

We depend on a limited number of key suppliers and vendors to provide equipment that we need to operate our business, and any failure by our key suppliers and vendors to supply necessary equipment on a timely basis or at all, could materially adversely affect us.

We depend upon a limited number of key suppliers and vendors to provide us with equipment and other services necessary for the construction, maintenance and operation of our rigs and FPSOs in which we have invested. Although we contract with most of our suppliers and vendors at fixed prices and require them to pay delivery delay penalties, our suppliers may, among other things, extend delivery times, raise contract prices and limit supply due to their own shortages and business requirements. If our suppliers or vendors were to fail to provide equipment or service to us on a timely basis, we could experience disruptions in our operations, which could have a material adverse effect on our revenue and results of operations, and we may be unable to satisfy the requirements contained in our drilling contracts, which could subject us to fines or cancellation of these agreements.

Consolidation among key suppliers and vendors could limit our ability to obtain equipment and services on terms favorable to us. In the last decade, the overall number of suppliers and vendors in this sector has decreased, resulting in fewer alternatives to obtain important equipment and services. Increases in costs or lack of availability of equipment could result in our inability to enter into new EPC contracts for new rigs, or the stoppage of certain of our rigs for a prolonged period of time, which could have a material adverse effect on us.

Failure to employ a sufficient number of skilled workers or an increase in labor costs could materially adversely affect us.

Maintaining low turnover levels among the crew and key officers of our rigs is an important factor in maintaining the level of uptime of our rigs. We must employ skilled personnel to operate and provide technical services to, and support for, our rigs. Shortages of qualified personnel result in higher wages and difficulties in maintaining staffing levels, particularly as a result of the increase in the level of activity in the oil and gas sector in Brazil and the growth of the Brazilian economy generally, which have resulted in more rigs operating in, and under construction to operate in, our area of operations. Due to the anticipated introduction of a number of new rigs and units in the Brazilian market, we expect increased competition for qualified crew and other personnel, and our rigs may lose personnel due to competition for skilled labor from other drilling rig operators.

Turnover among the crew and officers of our rigs also may increase for reasons that are beyond our control. Shortages of qualified personnel to operate our rigs or our inability to obtain and retain qualified personnel could also materially adversely affect the quality and timeliness of the operations of our rigs. Competition for skilled personnel could materially impact our business by limiting or affecting the quality and safety of our operations or increasing our operating costs, which may have a material adverse effect on us.

Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us.

Amounts paid to us by Petrobras and our other clients in Brazil for chartering our offshore units are currently not subject to any Brazilian withholding income tax.

Petrobras is currently involved in a dispute with the Brazilian federal tax authorities relating to Brazilian withholding income tax. One question is related to whether oil and gas rigs, semi-submersible rigs, drillships and FPSOs are considered "vessels" for purposes of benefiting from a zero percent withholding income tax rate. Brazilian tax authorities have claimed that, for the zero percent withholding income tax rate to be applicable to a vessel, the vessel must be used to transport people or goods. If this interpretation were to prevail, charter payments payable to us would not benefit from the zero percent withholding income tax rate, and instead would be subject to a withholding income tax rate of 15% or 25% if paid to low tax jurisdictions ("black-listed") or privileged tax regimes

("gray-listed"). More recently, however, the tax authorities issued private rulings on consultation proceedings filed by taxpayers stating that semi-submersible rigs and drillships benefit from the zero percent withholding income tax.

The Brazilian tax authorities also claim that the contractual split applied to charter and service revenues is not appropriate, as they serve a single purpose, which is rendering services to Petrobras, and should be considered a single contract for tax purposes.

If Brazilian tax authorities were to disapprove our contractual revenue split between charter and service revenues, we may be required to pay additional taxes on amounts that may be required to be allocated to service revenues, which could have a material adverse effect on us.

Because of the controversies around the contractual split model adopted by the oil and gas industry, Law No. 13,043, of November 13, 2014 ("**Law No. 13,043**") was enacted establishing guidelines to be observed for purposes of benefiting from the zero percent withholding income tax. According to Law No. 13,043, whenever the charter or lease agreement is executed simultaneously with the services agreement, both being related to the prospecting and exploration of oil and natural gas and signed between related parties, the amount of the charter or lease cannot exceed the following percentages (the "**Legal Split Ratios**"), otherwise the excess will not benefit from the zero rate but rather be subject to the regular withholding income tax rates (15% or 25% if the beneficiary of the payment is resident in a low tax jurisdiction or subject to a privileged tax regime):

- 85% (eighty five percent), for vessels with floating production systems and/or storage and discharge (Floating Production Systems - FPS);
- 80% (eighty percent), for vessels with a drilling rig, completion rig, workover/wellwork system (drill-ships), and;
- 65% (sixty five percent) for other types of vessels.

More recently, Law No. 13,586, of December 28, 2017 ("**Law No. 13,586**") was enacted, establishing further guidelines with respect to the zero percent withholding income tax. Legal split ratios, mentioned above, were reduced to the following (new percentages are effective as of January 1, 2018):

- 70% (seventy percent), for vessels with floating production systems and/or storage and discharge (Floating Production Systems - FPS);
- 65% (sixty five percent), for vessels with a drilling rig, completion rig, workover/wellwork system (drill-ships), and;
- 50% (fifty percent) for other types of vessels.

Law No. 13,586 also established that charter payments would not benefit from the zero percent withholding income tax rate, and instead would be subject to a withholding income tax rate of 25% if paid to low tax jurisdictions or privileged tax regimes. Such withholding income tax applies over the total amount paid abroad (and not over the portion exceeding the Legal Split Ratios).

Although our subsidiaries that are parties to our charter agreements currently are not located in jurisdictions identified by the Brazilian tax authorities as "privileged regime" ("gray-listed") or "low tax" ("black-listed"), some of them previously had been located in low tax jurisdictions within the statute of limitations period related to this claim.

Our results of operations are directly affected by the special customs regime for exportation and importation of goods related to the exploration and production of oil and gas (*Regime Aduaneiro Especial de Importação de bens destinados à exploração e à produção de petróleo e gás natural*) ("**REPETRO**"), a Brazilian tax incentive program that allows the use of a special customs arrangement on the import and export of goods and equipment for the term of any concession agreement if they are intended to be used in the research and development of petroleum and natural gas. For a more detailed description of the REPETRO regime, see "Business—Brazilian Regulatory Framework—REPETRO." Any termination or modification of this tax incentive program could, in the future, have a material adverse effect on us.

In accordance with our 2012 corporate reorganization, our effective tax rates are based on tax laws, treaties and regulations, both in Brazil and internationally (especially Brazilian, Dutch, Switzerland and Luxembourg tax treaties). Such tax laws and regulations are frequently challenged and are subject to interpretation. Due to our corporate and operational structure, if we or our clients lose a relevant tax dispute or if there is a material change in the interpretation of such treaties or regulations, or in the event a tax authority disregards our fiscal residency in any jurisdiction, our revenue and/or our tax rate could increase substantially and, consequently, our financial results could be materially adversely affected.

Our failure to maintain or renew all necessary authorizations and certifications required for the operation of our rigs, and changes in current licensing regimes may have a material adverse effect on our operations

The operation of our rigs requires several authorizations from Brazilian government agencies, including the Brazilian Institute of Environment and Renewable Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*) ("**IBAMA**"), ANTAQ and the Brazilian Port and Coast Division (*Diretoria de Portos e Costas*) ("**DPC**"). Moreover, if we include additional services or equipment to our rigs, we may need to obtain and maintain additional permits. Obtaining and maintaining necessary authorizations and certifications is a complex, time-consuming process. Our failure to timely obtain, maintain or renew any such required authorizations or any disputes in connection with any such authorizations, or our failure to comply with the terms and requirements of our permits and authorizations, could result in the suspension or termination of the operation of certain of our rigs or the imposition of material fines, penalties or other liabilities, which could have a material adverse effect on our results of operations. In addition, as a result of a decision by the National Agency of Petroleum (the "**ANP**") in Brazil, Petrobras or any other charterer of our rigs may require that we maintain additional quality and safety certifications, or meet certain additional quality and safety targets, during the term of a relevant charter agreement. Our failure to obtain and maintain these certifications or to otherwise meet these targets may result in the early termination of the affected charter agreements or in our failure to be eligible to enter into additional charters, which could have a material adverse effect on our revenues and results of operations.

In addition, certain of our drilling contracts require that we comply with applicable international standards, including the International Marine Organization's Code for the Construction and Equipment of Mobile Offshore Drilling Units. We and our drilling rigs are also subject to laws and regulations governing maritime and drilling operations in Brazil and the technical requirements of third parties, including classification societies and insurers. These laws, regulations and technical requirements include provisions for the protection of the environment, natural resources and human health and safety. The laws also require the payment of taxes, the maintenance of classifications, and the maintenance of various permits and licenses. These laws, regulations and technical requirements may require us to incur significant expenditures, and breaches may result in fines and penalties, which may be material. We will be responsible for bearing any increased costs required to maintain compliance with any such laws, regulations or other requirements.

Changes in local content policies may materially adversely affect our business.

The local content policy in Brazil has historically required that, for E&P companies in Brazil, a certain percentage of their investments in capital goods and services must be contracted with local service providers and producers. Compliance with minimum local content requirements has become part of the qualifying criteria in assessing bids for exploration blocks at ANP auctions. In fact, from and after the seventh ANP bidding round for concessions of oil and gas blocks, concessions have included minimum local content requirements for a list of items both during the exploration and development activities within the production phase. Since 2007, compliance with minimum local content requirements is required to be verified by means of certificates. The ANP applies a certification system for compliance of minimum local content requirements, applicable to concession agreements granted on and after the seventh bidding round. Recent discoveries of oil and gas in the pre-salt area have led to debates among governmental authorities, investors, the press and the Brazilian public about the need to make changes to the regulatory framework of the oil and gas sector. Although ANP Ordinance Rule No. 20/2016 made certain changes to these local content requirements and altered the means of calculation, it is not yet possible to determine to what extent these changes will affect the current system of exploration concessions granted by the ANP and consequently, the potential adverse effect on our activities. In January 2016, the Government enacted Decree No. 8,637/2016 and created an inter-ministerial group, known as PEDEFOR, focused on reviewing the Brazilian local content policy, especially to expand the supply chain of goods and services and increase the competitiveness of suppliers in Brazil. On February 22, 2017, the Brazilian government announced new minimum percentages of local

content requirements for production and exploration activities, to be applicable in the next bid rounds. Although no official information on a new policy has been disclosed, the new percentages announced by the Brazilian government reflect a reduction of nearly 50% from the local content requirements previously in force. Further to governmental local content policies, our business significantly depends on the local content policies adopted by participants in the oil and gas sectors, especially Petrobras.

Complex and stringent environmental laws and regulations may increase our exposure to environmental and other liabilities, may increase our operating costs and adversely affect the operation of our rigs.

The operation of our rigs is subject to Brazilian environmental laws, regulations and standards at the federal, state and local levels. Compliance with these laws, regulations and standards may require installation of additional costly equipment, increased staffing, and higher operating expenses. Violation of these laws, regulations and standards may result in administrative and criminal penalties for us, such as fines, suspension or interruption of our operations, and prohibitions or restrictions on participation in future charter bids sponsored by government-controlled entities, among other sanctions, notwithstanding the civil liability. As Brazilian environmental laws impose strict, joint and several and unlimited civil liability for remediation or compensation of damages, including those in connection with spills and releases of oil and hazardous substances, we could be subject to liability even if we were not negligent or at fault or for the conduct of, or conditions caused by, others, including charterers or third-party agents. The payment of any environmental liabilities or penalties or the costs that we may incur to remedy environmental pollution could have a material adverse effect on our operations and financial condition.

The laws, regulations and technical requirements governing maritime and drilling operations in Brazil have become increasingly complex, more stringently enforced and more expensive to comply with, and this trend is likely to continue. In addition, as a result of the 2010 major oil spill in the Gulf of Mexico, significant concerns regarding the safety of offshore oil drilling have been raised. In addition, the November 2011 oil spill in the Frade Field offshore Brazil has led to severe regulatory fines being imposed and criminal charges being filed against Chevron and Transocean and certain of their executives. Amendments to existing laws and regulations or changes in the application or the creation of new laws, regulations and technical standards may be highly restrictive and impose significantly increased costs on the operation of our business, or otherwise materially adversely affect our operating results or future prospects.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could materially adversely affect our business, results of operations and financial condition.

Almost all of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil's economy. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government's actions to control inflation and other regulations and policies have in the past involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls, limits on imports and other actions. We have no control over, and cannot predict, the measures or policies that the Brazilian government may adopt in the future. Our business, results of operations and financial condition may be adversely affected by changes in public policies at the federal, state and municipal levels, related to taxes, currency exchange control, as well as other factors, such as:

- applicable regulations and increase fines for any violations of law applied by the Brazilian government, including through the ANP, as well as state and local governments;
- expansion or contraction of the Brazilian economy, as measured by the variation of Brazil's gross domestic product;
- interest rates;
- currency depreciation and other fluctuations in exchange rates;
- inflation rates;

- liquidity of domestic capital and financial markets;
- fiscal policy and the applicable tax regime;
- social and political instability;
- energy shortages; and
- other diplomatic, political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities issued abroad by Brazilian companies. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy in the past; in particular, political crises have affected the confidence of investors and the public in general, which adversely affected the economic development in Brazil. These and other future developments in the Brazilian economy and governmental policies may materially adversely affect us.

Political instability may adversely affect us.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect investor confidence and that of the general public, which resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Brazilian markets have experienced volatility due to corruption scandals and allegations, including the "Lava Jato," "Zelotes" and "Greenfield" investigations. As a result, a number of politicians, including congressman and officers of numerous major state-owned and private companies in Brazil, have resigned or been arrested. These investigations led companies to face downgrades from rating agencies, funding restrictions and a reduction in their revenues.

Given the relatively significant weight of the companies cited in the investigation in relation to the Brazilian economy, this could have an adverse effect on Brazil's growth prospects in the near to medium term. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth in the near to medium term. Persistently poor macroeconomic conditions resulting from, these investigations and their consequences could have a material adverse effect on us.

We cannot predict whether the allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy, which may materially adversely affect us and our capacity to repay our Participating Notes.

In addition, political demonstrations in Brazil over the last few years have affected the development of the Brazilian economy and investors' perceptions of Brazil. For example, street protests, which started in mid-2013 and continued through 2016, demonstrated the public's dissatisfaction with the worsening Brazilian economic condition (including an increase in inflation and fuel prices as well as rising unemployment), and the perception of widespread corruption. Moreover, on October 28, 2018, Jair Bolsonaro won the Brazilian presidential election and took office on January 1, 2019. In this context, we cannot predict which policies the new administration may adopt or change during its term or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on us. Furthermore, uncertainty over whether the Brazilian government will implement reforms or changes in policy or regulation in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities offered by companies with significant operations in Brazil.

If Brazil were to experience higher inflation, our margins may be reduced. Government measures to curb inflation may have material adverse effects on the Brazilian economy and on us.

Brazil has in the past experienced extremely high rates of inflation, which led its government to pursue monetary policies that have contributed to one of the highest real interest rates in the world. Since the introduction

of the *Real* Plan in 1994, the annual rate of inflation in Brazil has decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*) ("**IPCA**"). Inflation measured by the IPCA index was 3.7%, 2.9% and 6.3% in 2018, 2017 and 2016, respectively. The inflation rate for the General Market Prices Index (*Índice Geral de Preços de Mercado*), was 7.6%, -0.5% and 7.2% in 2018, 2017 and 2016, respectively. Inflation and the Brazilian government's inflation containment measures, principally through monetary policies, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies and lower interest rates may trigger higher inflation, with the consequent reaction of sudden and significant interest rate increases, which could have a material adverse effect on the Brazilian economic growth and us.

If Brazil were to experience high inflation in the future, our operating costs such as payroll expenses and materials may increase and our operating and net margins may decrease. For the year ended December 31, 2018, our payroll, charges and benefits costs were U.S.$95.3 million and our materials costs were U.S.$35.6 million, representing 25.0% and 9.4% of our total operating costs, respectively. Inflationary pressures may also curtail our ability to access the international financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy. In addition, most of our operating costs are denominated in *reais* and incurred in Brazil, which therefore exposes us to the effects of inflation in Brazil, which may adversely affect us.

Political, economic and social developments and the perception of risk in other countries, especially emerging market countries, may adversely affect the market value of our securities.

The market for securities issued by a company that is significantly exposed to the Brazilian market and economy, such as us, may be influenced, to varying degrees, by economic and market conditions in other countries, especially other Latin American and other emerging market countries. The reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Adverse economic conditions in other countries have at times resulted in significant outflows of funds from Brazil including, for example, in economic crises in Greece, Spain, Portugal, Ireland and Italy. The Brazilian economy is also affected by international economic and market conditions generally. These factors could materially adversely affect the market value of our securities and impede our ability to access the international capital markets and finance our operations in the future on terms acceptable to us or at all.

Exchange rate instability may adversely affect our financial condition and expected results of operations.

In past decades, the Brazilian currency has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per U.S.$1.00 in August 2008. As a result of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the course of 2008 and reached R$2.34 per U.S.$1.00 on December 31, 2008. Between 2009 and 2010, the *real* once again appreciated significantly against the U.S. dollar, reaching R$1.67 per U.S.$1.00 at the end of 2010. In turn, between 2011 and 2015, the *real* strongly depreciated against the U.S. dollar, reaching R$3.90 per U.S.$1.00 as of December 31, 2015. The exchange rate as of December 31, 2018 was R$3.88 per U.S.$1.00. If the *real* appreciates again significantly against the U.S. dollar, our results of operations may be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Principal Components of Our Results of Operations—Effects of Foreign Exchange Variations on Our Results of Operations."

Changes in Brazilian tax laws may have an adverse impact on our results of operations.

The Brazilian government frequently implements changes to tax regimes that affect us and our customers. These changes include changes in the prevailing tax rates and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

Some of these changes may result in increases in our tax payments, which can adversely impact industry profitability and increase the prices of our products, restrict our ability to do business in our existing markets and could otherwise adversely affect us. There can be no assurance that we will be able to maintain our prices, projected

cash flow and/or profitability following increases in Brazilian taxes applicable to us, our subsidiaries or our operations.

USE OF PROCEEDS

We intend to use the cash proceeds from the issuance of the First Lien Tranche for general corporate purposes.

CAPITALIZATION

The following table sets forth our total capitalization as of December 31, 2018, as follows:

- on an actual basis;
- as adjusted to give effect to (i) the incurrence of the Novated Indebtedness (assuming holders representing 100% of the aggregate principal amount of the Existing 2024 Notes participate in the Rights Offering) and (ii) the receipt to U.S.$27.0 million of gross proceeds from the Rights Offering, U.S.$10.0 million from the incurrence of the New Bradesco Facility, U.S.$27.0 million from the Shareholder Contribution and the ALB Re-Lending Amount of U.S.$39.1 million.

You should read this information in conjunction with the "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and other financial information contained in this Offering Memorandum.

	As of December 31, 2018	
	Actual (2)	**As Adjusted**
	(in millions of U.S.$)	
Total debt		
Existing 2019 Notes	98.9	—
Unsecured Notes	—	98.9
Existing 2024 Notes	625.4	—
Participating Notes (3)	—	672.7
Existing Bradesco Facilities	153.8	—
A&R Bradesco Facilities	—	151.8
New Bradesco Facility	—	10.0
Existing ALB Facilities	597.0	—
A&R ALB Facilities	—	661.8
Shareholders' equity	1,419.5	1,446.5
Total capitalization (1)	2,894.6	3,041.7

(1) Total capitalization is total debt plus shareholders' equity.
(2) On December 6, 2018, the RJ Debtors filed for the RJ Proceeding; as such, all amounts owing to the lenders became due and payable as of such date. However, such payment was suspended in accordance with applicable law, subject to the terms of the RJ Plan, and such indebtedness will be novated and replaced by the indebtedness as described in "Business—Judicial Restructuring."
(3) Does not include a U.S.$5.4 million PIK fee payable by the Company upon the FPSO Disposition in accordance with the Indenture.

DESCRIPTION OF THE RIGHTS OFFERING

The Subscription Rights

We are distributing to Eligible Holders of our Existing 2024 Notes, on a pro rata basis, the Subscription Rights to purchase up to U.S.$27,000,000 in aggregate principal amount of the First Lien Tranche. You will receive a fixed number of Subscription Rights based on your pro rata ownership of Existing 2024 Notes as of the Record Date set forth below. Each Eligible Holder of Existing 2024 Notes will be permitted to subscribe for U.S.$1,000 aggregate principal amount of the First Lien Tranche for each U.S.$1,000 principal amount of Existing 2024 Notes held as of the Record Date. Each Eligible Holder may exercise its Subscription Rights by taking the steps described below in "Exercise of Subscription Rights."

Eligibility

The Rights Offering is being made, and the First Lien Tranche will be issued only (a) in the United States to holders of Existing 2024 Notes who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) outside the United States to holders of Existing 2024 Notes who are persons other than U.S. persons in reliance upon Regulation S under the Securities Act. The holders of Existing 2024 Notes who have certified to us that they are eligible to participate in the Rights Offering pursuant to at least one of the foregoing conditions are referred to as "Eligible Holders." Only Eligible Holders are authorized to receive or review this Offering Memorandum and to participate in the Rights Offering.

Transfer of Subscription Rights

The Subscription Rights may not be sold, transferred, assigned or given away to anyone except in connection with the transfer of the Existing 2024 Notes giving rise to such Subscription Rights. The Subscription Rights will not be certificated or listed for trading on any stock exchange or market.

Exercise of Subscription Rights

To exercise your Subscription Rights, you must complete the following three steps:

1. You must validly (or have your broker, dealer, custodian bank or other nominee, as applicable,) elect to exercise your right to participate in the Rights Offering in relation to all of your Existing 2024 Notes pursuant to DTC's ATOP by the Expiration Date. **A failure to submit such election in relation to all of your Existing 2024 Notes on or prior to the Expiration Date will result in your exercise of the Subscription Rights being rejected without notice.**

2. You must deliver a properly completed Subscription Form to the Subscription Agent to be received on or prior to the Subscription Date.

3. You must deliver or cause to be delivered, by wire transfer of immediately available cash funds to the account specified in the Subscription Form, an amount equal to the purchase price for the First Lien Tranche you are subscribing for in accordance with the Subscription Form on or prior to the Subscription Date.

To properly demonstrate compliance with the exercise requirement described in clause (1) above, each Eligible Holder will be required to include on its completed Subscription Form a Voluntary Offering Instruction number (a "**VOI Number**") corresponding to the election of such Eligible Holder's Existing 2024 Notes to participate in the Rights Offering. In order to obtain a VOI Number, Eligible Holders that hold Existing 2024 Notes through a broker, dealer, commercial bank, trust company or other nominee (a "**Nominee**") should consult with such Nominee. To ensure you are able to obtain your VOI Number as issued to your Nominee by DTC, among other things, you should arrange for your Nominee to submit an election relating to your Existing 2024 Notes by the Expiration Date, as well as instruct your Nominee, if any, to submit an election relating to your Existing 2024 Notes separately from the Existing 2024 Notes being submitted by any other investor for whom such institution is acting as a Nominee. **Your VOI number associated with your election is required to be included on your properly completed Subscription Form.**

After the Subscription Date (or, after the Expiration Date, with respect to any investor that did not validly elect to subscribe on or prior to the Expiration Date), any attempted exercise of Subscription Rights by any entity shall be null and void and the Subscription Agent shall not honor any such exercise of Subscription Rights, regardless of when the documents relating to such exercise were sent.

The exercise of the Subscription Rights is irrevocable and cannot be withdrawn following the Expiration Date. If a given Eligible Holder does not validly elect to subscribe on or before the Expiration Date, or if the Subscription Agent for any reason does not receive from a given Eligible Holder a timely and duly completed Subscription Form and payment of such Eligible Holder's aggregate purchase price on or before the Subscription Date, such Eligible Holder shall be deemed to have relinquished and irrevocably waived its right to participate in the Rights Offering. Following electronic delivery of Subscription Forms on or prior to the Subscription Date, each Eligible Holder should promptly mail an original Subscription Form, with a medallion guarantee, to the Subscription Agent.

The payments made in connection with the Rights Offering shall be deposited and held by the Subscription Agent in a segregated, non-interest bearing trust account, which shall be separate and apart from the Subscription Agent's general operating funds and any other funds subject to any lien or similar encumbrance and which segregated account or accounts shall be maintained for the purpose of holding the money for administration of the Rights Offering until the Settlement Date. The Subscription Agent shall not use such funds for any other purpose prior to such date and shall not encumber or permit such funds to be encumbered with any lien or similar encumbrance. Such funds will only be released to the Company substantially concurrently with the issuance of the Participating Notes on the Settlement Date.

If there is any reduction in your subscription request (e.g., due to any computational or other error in a subscription request or due to any other disqualification) or if the Rights Offering is terminated or otherwise is not completed, such funds received by the Subscription Agent will be returned, without interest, as soon as practicable. Unless otherwise waived by the Company in its sole discretion, in the event an Eligible Holder makes a payment but does not properly complete the Subscription Form, on or promptly following the Settlement Date, the Subscription Agent shall return such payment to such Eligible Holder. Under no circumstances will any Eligible Holder be entitled to receive interest in respect of the amounts funded to the Subscription Agent.

Conditions to the Rights Offering

Our obligation to consummate the Rights Offering and issue the First Lien Tranche, is conditioned upon the satisfaction or waiver of certain conditions, including, among other things, the issuance pursuant to the exercise of Subscription Rights for, and/or the purchase pursuant to the Backstop Agreement of the Minimum Subscription Amount, the RJ Court entering the Brazilian Confirmation Order, the U.S. Bankruptcy Court entering the U.S. Enforcement Order, and the entry of orders in any Ancillary Proceeding necessary to effect the Restructuring.

Settlement of the Rights Offering

To the extent a holder validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, (i) such holder shall receive its purchased amount of the First Lien Tranche; and (ii) in accordance with the RJ Plan and the Bankruptcy Code, the right to receive (a) the Second Lien Tranche in an amount equal to the lesser of (1) 15 times the principal amount of the First Lien Tranche purchased by such holder in the Rights Offering and (2) the principal amount of Existing 2024 Notes held by such holder on the Record Date and (b) the Third Lien Tranche in an amount equal to the principal amount of Existing 2024 Notes held by such holder on the Record Date minus the principal amount of the Second Lien Tranche.

The First Lien Tranche will be issued to Eligible Holders that validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, together with the Second Lien Tranche and the Third Lien Tranche in the Participating Notes pursuant to the Indenture. The Underlying Tranches may not be separately transferred. Unless otherwise indicated in this Offering Memorandum, references to "Participating Notes" shall be deemed to include each Underlying Tranche, including the First Lien Tranche to which the Rights Offering relates. For a description of the Participating Notes see "Summary of the Participating Notes" and the Indenture. Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as

standalone notes (the "**Stub Notes**") issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. See "Risk Factors—Risks Relating to the Rights Offering—Holders of Stub Notes will have limited rights under the indenture governing the Stub Notes."

To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, in accordance with the RJ Plan and the Bankruptcy Code, such holder shall have the right to receive the Non-Participating Notes, as described in "Summary—Judicial Restructuring—Existing 2024 Notes—Non-Participating Notes." See "Risk Factors—Risks Relating to the Rights Offering—Holders of Existing 2024 Notes will receive Non-Participating Notes if they do not participate in the Rights Offering or if the Minimum Subscription Amount is not obtained."

Backstop Agreement

In connection with the Rights Offering, the Backstop Investors have agreed to exercise their Subscription Rights in this Rights Offering to purchase the First Lien Tranche. To the extent Subscription Rights to purchase the Maximum Principal Amount of the First Lien Tranche have not been validly exercised as of the Expiration Date, the Backstop Investors have agreed to purchase the unsubscribed portion of the First Lien Tranche, subject to certain conditions. See "Business—The Backstop Agreement."

Miscellaneous

Minimum Subscription Increment

No Subscription Rights will be issued for denominations of less than one whole dollar of initial aggregate principal amount of the First Lien Tranche. The amount of the First Lien Tranche that any Eligible Holder will be entitled to subscribe for will be rounded down to the nearest whole dollar.

Oversubscription

There will be no oversubscription rights with respect to Subscription Rights that are not exercised by Eligible Holders.

Validity of Exercise of Subscription Rights

All questions concerning the timeliness, viability, form and eligibility of any exercise of Subscription Rights shall be determined by the Company, whose good faith determinations shall be final and binding. The Company may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as the Company determines, or reject the purported exercise of any Subscription Rights. Subscription Forms shall be deemed not to have been received or accepted until all irregularities have been waived or corrected within such time as the Company determines in its reasonable discretion. None of the Company or the Subscription Agent shall be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Forms or incur any liability for failure to give such notification.

No Recommendation

None of our Board of Directors or officers or the Subscription Agent, the Transfer Agent or the Trustee is making any recommendation regarding your exercise of Subscription Rights in the Rights Offering. Further, we have not authorized anyone to make any recommendation. You should carefully review the risks and uncertainties described under the heading "Risk Factors" of this Offering Memorandum before you exercise your Subscription Rights to purchase the First Lien Tranche.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected financial and other data. The summary statement of operations for the years ended December 31, 2018, 2017 and 2016 and the summary statement of financial position data as of December 31, 2018, 2017 and 2016, are derived from our 2018 Financial Statements and our 2017 Financial Statements, in each case, included elsewhere in this Offering Memorandum. You should read the following summary financial and other data in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this Offering Memorandum. Historical results are not indicative of the results to be expected in the future. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

	For the year ended December 31,		
	2018	**2017**	**2016**
	(in millions of U.S.$)		
Statement of Operations Data:			
Net operating revenue	507.9	945.8	1,119.7
Cost of services	(380.8)	(532.4)	(538.3)
Gross profit	**127.1**	**413.3**	**581.4**
General and administrative expenses	(80.6)	(27.5)	(44.2)
Other income	291.7	2.8	18.9
Other expenses	(162.4)	(1,442.5)	(268.6)
Operating profit/ (loss)	**175.9**	**(1,053.9)**	**287.6**
Financial income	16.6	15.3	15.3
Financial expenses	(124.5)	(131.9)	(133.3)
Foreign exchange variation loss, net	(0.08)	(0.6)	(0.7)
Financial expenses, net	**(107.9)**	**(117.2)**	**(118.7)**
Share of results of investments	7.7	22.3	3.4
Profit/ (loss) before taxes	**75.7**	**(1,148.8)**	**172.2**
Taxes	1.2	0.1	(12.6)
Net income (loss)	**76.9**	**(1,148.7)**	**159.6**
Profit/(loss) attributable to:			
Owners of the Group	71.0	(1,049.6)	138.7
Non-controlling interests	5.8	(99.1)	20.9
Profit/(loss) per share (in U.S.$):			
Basic	0.38	(5.55)	0.73
Diluted	0.38	(5.55)	0.73

The following table sets forth a reconciliation of our EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to profit (loss) for each of the years presented as well as other financial information:

	For the year ended December 31,		
	2018	**2017**	**2016**
	(in millions of U.S.$)		
Net income (loss)	76.9	(1,148.7)	159.6
(+) Financial expenses, net	107.9	117.2	118.0
(+) Taxes	(1.2)	(0.1)	12.6
(+) Depreciation and amortization	174.4	229.9	233.8
EBITDA(2)	**357.9**	**(801.7)**	**524.0**
(+) Non-cash adjustments (1)	(103.3)	1,436.5	261.8
Adjusted EBITDA(2)	**254.6**	**634.8**	**805.5**
Net operating revenue	507.9	945.8	1,119.7
Adjusted EBITDA margin (%) (3)	50.1%	67.1%	71.9%
Other Financial Information:			
Net Debt (4)	1,297.2	1,386.4	1,745.4
Total Debt / Total Assets (5)	48.2%	46.1%	41.6%

(1) In 2018, we recognized (i) U.S.$98.9 million in non-cash impairment related to FPSO investments, (ii) U.S.$260.2 million in non-cash impairment reversals partially compensated by U.S.$40.8 million in non-cash impairment charges on drillships and onshore units, (iii) a U.S.$18.7 million non-cash loss due to an onerous contract provision related to the contract between Brava Star and Shell Brasil; and (iv) a U.S.$3.6 million non-cash loss due to an onerous contract provision related to the contract between Laguna Star and Enauta. These losses were partially offset by a U.S.$5.0 million non-cash adjustment due to the reversal of the onerous contract provision related to the contract between Olinda Star and ONGC. In 2017, we recognized (i) U.S.$1,400.5 million in non-cash impairment charges primarily related to the

Olinda Star deepwater rig and the Alpha Star, Gold Star, Lone Star, Amaralina Star, Laguna Star, and Brava Star ultra-deepwater units; and (ii) a non-cash loss of U.S.$36.0 million due to an onerous contract provision related to the contract between Olinda Star and ONGC. In 2016, we recognized (i) U.S.$20.8 million in non-cash impairment charges related to Alpha Star and Alaskan Star, (ii) U.S.$247.1 million of impairment charges and inventory write-off related to the Atlantic Star and Alaskan Star drilling rigs; and (iii) non-cash loss of U.S.$12.8 million from asset impairments related to our share of results from our investments in the Sete Brasil project. These effects were partially offset by the reversal of a U.S.$7.3 million impairment charge related to an onshore rig.

(2) EBITDA and Adjusted EBITDA are non-GAAP measures prepared by us. EBITDA consists of: net profit (loss), plus financial expenses, net, taxes, and depreciation and amortization. Adjusted EBITDA consists of EBITDA plus non-cash adjustments related to impairment and onerous contract provision (as described in footnote (1) above). EBITDA and Adjusted EBITDA are not measures defined under IFRS, should not be considered in isolation, do not represent cash flow for the periods indicated and should not be regarded as alternatives to cash flow or net profit, or as an indicator of operational performance or liquidity. EBITDA and Adjusted EBITDA do not have a standardized meaning, and different companies may use different EBITDA and Adjusted EBITDA definitions. Therefore, our definitions of EBITDA and Adjusted EBITDA may not be comparable to the definitions used by other companies. We use EBITDA and Adjusted EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA and Adjusted EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as financial expenses, net, taxes, depreciation, capital expenses and other related expenses.

(3) Adjusted EBITDA margin is a non-GAAP measure prepared by us. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.

(4) Net debt is a non-GAAP measure prepared by us. Net debt represents total loans and financings less cash and cash equivalents less short-term investments less restricted cash, including all the shareholders' equity accounts. Net debt does not have a standardized meaning and is not a measure defined under IFRS, should not be considered in isolation, does not represent indebtedness for the periods indicated and is not an indicator of our financial condition, liquidity or ability to service our debt. Our definition of net debt may differ from those used by other companies and thus may not be comparable with that of other companies. Net debt composition, according to our definition, is as follows:

	For the year ended December 31,		
	2018	**2017**	**2016**
		(in millions of U.S.$)	
Loans and financing	1,475.2	1,655.2	2,195.7
(-) Cash and cash equivalents	(109.4)	(216.3)	(293.2)
(-) Short-term investments	(26.0)	(13.5)	(113.9)
(-) Restricted cash	(42.6)	(39.0)	(43.2)
Net debt	1,297.2	1,386.4	1,745.4

(5) Total debt represents our total loans and financings as of the end of the applicable period as indicated in the table below. Total assets represent our total assets as of the end of the applicable period as indicated in the table below. Total Debt/Total Assets ratio is a non-GAAP measure prepared by us. Total Debt/Total Assets ratio does not have a standardized meaning and is not a measure defined under IFRS, should not be considered in isolation and is not an indicator of our financial condition, liquidity or ability to service our debt. Our definition of Total Debt/Total Assets ratio may differ from those used by other companies and thus may not be comparable with that of other companies.

	For the Year Ended December 31		
	2018	**2017**	**2016**
Statement of Financial Position:		*(in millions of U.S.$)*	
Current assets			
Cash and cash equivalents (1)	109.4	216.3	293.2
Short-term investments (2)	26.0	13.5	113.9
Restricted cash	42.6	39.0	43.2
Trade and other receivables	32.4	67.1	81.1
Inventories	39.9	33.3	184.7
Recoverable Taxes	12.8	9.4	4.0
Deferred mobilization costs	2.3	8.5	11.0
Receivables from related parties	1.0	1.4	3.0
Derivatives	—	0.1	—
Other current assets	10.4	17.6	10,2
Total current assets	**276.8**	**406.2**	**744.3**
Non-current assets			
Receivables from related parties	0.02	382.2	339.1
Derivatives	—	1.9	0.9
Other non-current assets	2.4	1.1	1.0
Deferred mobilization costs	2.4	4.2	6.6
Recoverable taxes	3.1	7.7	5.8
Deferred tax assets	12.2	11.0	7.5
Inventories	125.9	143.2	—
Investments	198.5	257.9	253.3
Property, plant and equipment, net	2,442.0	2,371.3	3,921.9
Total non-current assets	**2,786.4**	**3,180.5**	**4,536.2**
Total assets	**3,063.2**	**3,586.7**	**5,280.5**
Current liabilities			
Loans and financing	1,475.2	655.8	674.1
Payroll and related charges	12.3	22.8	31.0
Derivatives	—	2.8	12.8
Trade and other payables	33.2	37.5	29.5
Payables to related parties	0.2	1.4	2.0
Taxes payables	2.5	4.0	2.3
Provisions	1.0	4.4	1.2
Deficit in investments	48.5	20.5	—
Deferred revenues	3.4	32.6	62.7
Other current liabilities	47.1	46.3	65.3
Total current liabilities	**1,623.4**	**828.2**	**881.0**
Non-current liabilities			
Loans and financing	—	999.4	1,521.6
Payable to related parties	—	345.0	309.9
Derivatives	—	—	3.9
Deferred revenues	3.5	—	34.4
Other non-current liabilities	16.8	25.3	1.6
Total non-current liabilities	**20.3**	**1,369.7**	**1,871.3**
Total liabilities	**1,643.7**	**2,197.9**	**2,752.3**
Shareholders' Equity			
Total shareholders' Equity	**1,419.5**	**1,388.8**	**2,528.1**
Total liabilities and shareholders' Equity	**3,063.2**	**3,586.7**	**5,280.5**

(1) For the years ended December 31, 2018, 2017 and 2016, the Company held cash and cash equivalents of U.S.$109.4 million, U.S.$216.3 million and U.S.$293.2 million, respectively. For the years ended December 31, 2018, 2017 and 2016, the Subsidiary Guarantors had cash and cash equivalents of U.S.$53.0 million, U.S.$181.4 million and U.S.$215.6 million, respectively.

(2) The Company did not have any short-term investments as of the years ended December 31, 2018, 2017 and 2016. The Subsidiary Guarantors did not have any short-term investments as of the years ended December 31, 2018 and 2017. For the year ended December 31, 2016, the Subsidiary Guarantors held U.S.$90.3 million of short-term investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Audited Consolidated Financial Statements included in this Offering Memorandum, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Data."

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those set forth in "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are a market-leading provider of offshore oil and gas contract drilling and FPSO services in Brazil and abroad. We are also one of the largest drilling companies in Brazil, as measured by the number of offshore drilling floaters currently in operation. We believe that our size and over 38 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. We own and hold ownership interests in a fleet of offshore and onshore drilling rigs and FPSOs, including six modern ultra-deepwater dynamically positioned rigs. During the years ended December 31, 2018 and 2017, we recorded net operating revenues of U.S.$507.9 million and U.S.$945.8 million, respectively, Adjusted EBITDA of U.S.$254.6 million and U.S.$634.8 million, respectively, and an Adjusted EBITDA margin of 50.1% and 67.1%, respectively. As of December 31, 2018, we had total net debt of U.S.$1.3 billion and shareholder's equity of U.S.$1.4 billion, equivalent to 42.4% and 46.3%, respectively, of our total assets as of that date.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We are a holding company organized under the laws of Luxembourg.

For the purpose of this Offering Memorandum, we have included our Audited Consolidated Financial Statements elsewhere in this Offering Memorandum.

Our financial statements have been prepared in accordance with IFRS, as issued by IASB. The functional currency of the issuer and most of its subsidiaries is the U.S. dollar. Our Audited Consolidated Financial Statements as of and for the years ended December 31, 2018 and 2017 have been audited by our independent auditors, as set forth in their reports included elsewhere in this Offering Memorandum.

The following accounting standards became effective from January 1, 2018 and based on the Company's management's anlysis the new and revised standards had no material impact on the consolidated financial statements as of and for the year ended December 31, 2018, other than requiring additional disclosures in the financial statements: (i) IFRS 9 – Financial Instruments and (ii) IFRS 15 – Revenue from contracts with customers.

Our commencement of the RJ Proceeding constituted an event of default of our debt and other obligations. These conditions result in material uncertainty that gives rise to substantial doubt about our ability to continue as a going concern within one year subsequent to December 31, 2018. We believe that our ability to continue as a going concern is contingent upon our ability to implement the RJ Plan, to maintain existing customer, vendor and other relationships and to maintain sufficient liquidity throughout the RJ Proceeding, among other factors.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in accordance with IFRS requires our management to make estimates, judgments and assumptions that affect the amounts reported in our financial statements and accompanying notes.

Our management must judge and develop estimates for the carrying values of assets and liabilities, which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Future results could differ from those estimates.

We continually review these estimates and underlying assumptions. The effects of revisions to accounting estimates are recognized prospectively.

Our management has concluded that the most significant judgments and estimates considered during the preparation of our financial statements are the following:

Measurement of Financial Instruments

We use valuation techniques that include the use of inputs that are (or not) based on observable market data to estimate the fair values of certain types of financial instruments. Our management believes that the selected valuation techniques and the assumptions used are appropriate to measure the fair values of these financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognized in our statement of financial position when we become a party to the contractual provisions of the financial instrument. Our main financial instruments include cash and cash equivalents, short-term investments, restricted cash, trade and other receivables, receivables from related parties, trade and other payables, payables to related parties, loans and financings and derivative instruments.

Our financial assets and financial liabilities are initially measured at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

We have no forward contracts, options, *swaptions* (swaps with non-exercise options), flexible options, derivatives embedded in other products or exotic derivatives. We do not conduct derivative transactions for speculative purposes, thus reaffirming our commitment to our policy of conservative management of cash.

Except for loans and financings, our management believes that the carrying amounts of our remaining financial instruments are not significantly different from their fair value as it considers that interest rates on these instruments are not significantly different from market rates. Interest rates that are currently available to us for issuance of debt with similar terms and maturities were applied to estimate the fair value of loans and financings.

Derivative financial instruments

We enter into derivative financial instruments to manage our exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Provision for Impairment of Trade and Other Receivables

We recognize a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated based our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions

and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Provisions for Claims and Other Obligations

Claims against us, including unascertained claims or assessments, are recognized as a liability and/or are disclosed in notes to our financial statements, unless the likelihood of loss is considered remote.

A provision for claim and other obligations is recorded when the loss is probable and the amount can be reliably estimated. Claims and other similar obligations will be settled when one or more future events occur. Normally, the occurrence of such events does not depend on our performance. Therefore, the assessment of these liabilities is subject to varying degrees of legal uncertainty and interpretation and requires significant estimates and judgments by our management.

Useful Lives of Property, Plant and Equipment

The carrying amounts of property, plant and equipment is based on estimates, assumptions and judgments relative to capitalized costs, useful lives of the drilling rigs, drillships and related equipment. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. We calculate depreciation using the straight-line method. At the end of each year, we review the estimated useful lives of our drilling units.

Impairment of Property, Plant and Equipment

We evaluate property, plant and equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, we evaluate property, plant and equipment for impairment reversal if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. We use either a discounted cash flow (value in use) or fair value less cost of disposal analysis in testing an asset for potential impairment or reversal of impairment.

When calculating the value in use, our assumptions and estimates underlying this analysis include the following, by drilling unit (i.e., cash generating units): dayrate, occupation rate, daily operating cost, useful life of the drilling rigs and drillships and estimated proceeds that may be received on disposition.

The underlying assumptions are developed based on the historical data for each drilling unit, which considers rated water depth and other attributes and then assesses its future marketability according to the current and projected market environment at the time of assessment. Other assumptions, such as operating costs, are estimated using historical data adjusted for known developments and future events.

Based on these assumptions, we prepare a probable scenario for each drilling unit, which results in a projected cash flow for each drilling unit based on expected operational and macroeconomic assumptions (e.g., inflation indexes and foreign exchange rates, among others) and compare such amount to its carrying amount.

Management's assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those disclosed. Our methodology generally involves the use of significant unobservable inputs, which may include assumptions related to future dayrate revenue, costs and drilling unit utilization, the long-term future performance of our drilling units and future market conditions. Management's assumptions involve uncertainties about future demand for our services, dayrates, expenses and other future events, and management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter our analysis in testing an asset for potential impairment or reversal of impairment. Other events or circumstances that could affect our assumptions may include, but are not limited to, a further sustained decline in oil and gas prices, cancellations of our charter and service-rendering contracts or contracts of our competitors, contract modifications, costs to comply with new governmental regulations, growth in the global oversupply of oil and geopolitical events, such as lifting sanctions on oil-producing nations. Should actual market conditions in the future vary significantly from market conditions used in our projections, our impairment assessment would likely be different.

Provision for Employee Profit Sharing Plan

The profit sharing paid to employees (including key management personnel) is based on the achievement quality and financial performance metrics, as well as the individual objectives of employees, determined annually. This provision is set on a monthly basis and is recalculated at the year-end based on the best estimate of the achieved objectives as set out in the annual budget process.

Recoverable Taxes and Deferred Tax Assets

We recognize deferred tax assets arising from tax losses and temporary differences between accounting and taxable profits. Deferred tax assets are recognized to the extent that we expect to generate sufficient future taxable income based on projections and forecasts made by management. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, if applicable, reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

For additional information regarding our significant accounting policies and critical accounting estimates, see notes 3 and 4 to our Audited Consolidated Financial Statements.

Principal Factors Affecting Our Results of Operations

Effects of the RJ Proceeding and Our Financial Restructuring

On December 6, 2018, the Constellation Group, together with the other RJ Debtors, filed jointly for judicial reorganization pursuant to the Brazilian Bankruptcy Law with the RJ Court. For more information regarding the RJ Proceeding, see "Judicial Reorganization." As described in the RJ Plan, the Constellation Group's current financial situation arises from a number of factors, including the fall in the price of oil per barrel, the crisis in demand in the oil and gas industry, the contracting of financing for the acquisition of drilling units, restrictions on access to credit for companies in the oil and gas industry, the fall in the rate of remuneration for service and charter contracts, the economic and political scenario in Brazil, the Petrobras Divestment Program, the regulatory requirements and the increase in tax burden. In addition, our net operating revenue was negatively affected by the RJ Proceeding primarily as a result of the impact of these proceedings on our ability to attract new customers, as these potential customers have been wary of entering into long-term service contracts with us during the pendency of these proceedings.

Our Fleet of Drilling Rigs

Offshore Drilling Rigs

Our business strategy focuses on maintaining our market-leading position in the Brazilian contract drilling industry, client diversification and internationalization of our operations.

As of December 31, 2018, the following drilling rigs were in operation:

- Atlantic Star, which had its last upgrade in February 2011, was under contract with Petrobras; and
- Olinda Star, which had its last upgrade in August 2009, was under contract with ONGC.

Penalties may be applied by our customers on a one-time basis for each contract when we deliver and commence operation of a drilling rig after its contracted delivery date. We expense penalties based on our best estimate of the date of delivery of the unit and considering the likelihood of the customer applying contractual penalties.

See "Summary—Recent Developments—Recent Operating Contracts" for a description of our recent operating contracts.

Onshore Drilling Rigs

As of December 31, 2018, none of our onshore drillings fleets was under contract. See "Business—Backlog and Drilling Contracts—Drilling and FPSO Contracts."

FPSOs

We hold a 20% equity interest in certain associates and joint ventures with SBM Holding and certain other parties to convert, own and operate the FPSO Capixaba and the FPSO Cidade de Paraty, which began production in May 2006 and June 2013, respectively. We hold a 12.75% equity interest in a joint venture with SBM Holding and certain other parties to convert, own and operate FPSO Cidade de Ilhabela, which began production in November 2014. Furthermore, we hold a 5.0% equity interest in joint ventures with SBM Holding and certain other parties to convert, own and operate FPSO Cidade de Maricá and FPSO Cidade de Saquarema, which began production in February 2016 and July 2016, respectively. We record the results of these joint ventures in the line item "share of results in investments."

Our Backlog

Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential rig performance bonuses, when applicable, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors, including, but not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions.

Our FPSO backlog is calculated for each FPSO by multiplying our percentage interest in the FPSO by the contracted operating dayrate by the firm contract period, in each case with respect to such FPSO. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated.

The following table sets forth as of the year ended December 31, 2018, the amount of our contract drilling and FPSO services backlog related to contracted existing and new projects for the periods indicated.

	2019	%	2020	%	2021	%	2022 –2036	%	Total	Total %
	(*in millions of U.S.$, except for percentages*)*(1)*									
Ultra-deepwater(2)	40.4	21.3%	—	—	—	—	—	—	40.4	2.7%
Deepwater	42.4	22.4%	42.6	28.5%	1.3	1.2%	—	—	86.3	5.7%
Midwater	—	—	—	—	—	—	—	—	—	—
FPSOs(3)(4)	106.6	56.3%	106.9	71.5%	106.6	98.8%	1,064.7	100%	1,384.8	91.6%
Onshore	—	—	—	—	—	—	—	—	—	—
Total	**189.5**	**100.0%**	**149.5**	**100.0%**	**107.9**	**100.0%**	**1,064.7**	**100.0%**	**1,511.5**	**100.0%**

(1) Amounts denominated in *reais* have been converted to U.S. dollars at the selling rate as reported by the Central Bank at December 31, 2018 for *reais* into U.S. dollars of R$3.8748 to U.S.$1.00. As of June 30, 2019, the exchange rate of *reais* to U.S. dollars was R$3.8322 to U.S.$1.00, as reported by the Central Bank.

(2) This includes U.S.$29.7 million from the Brava Star drillship, U.S.$6.8 million from the Laguna Star drillship, and U.S.$3.8 million from the Amaralina Star drillship.

(3) This includes U.S.$1,384.8 million from our interest in joint ventures with SBM Holding related to our investments in FPSOs, including U.S.$63.5 million from our 20.0% interest in FPSO Capixaba, U.S.$512.8 million from our 20.0% interest in FPSO Cidade de Paraty, U.S.$428.9 million from our 12.75% interest in FPSO Cidade de Ilhabela, and U.S.$189.1 million and U.S.$190.6 million from our 5.0% interest in two joint ventures with SBM Luxembourg related to our investments in FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively.

(4) This includes only our portion of contracts in proportion to our ownership interest in FPSOs as of the date of this Offering Memorandum. However, as described in "Summary—Our Assets—FPSOs", in accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs.

Revenue per Asset, Utilization, Uptime and Dayrates of Our Drilling Rigs

The most significant variables affecting the net operating revenue from our drilling rigs in operation are utilization days, dayrate, uptime and performance bonus payments, when applicable. Payments under our charter and service agreements are calculated by multiplying the applicable dayrate for each drilling rig by the uptime for

the period for which such payment is being calculated. In addition, we are entitled to receive performance bonus payments.

A waiting and moving rate equal to 90% of the dayrate for any drilling rig (other than our Atlantic Star and Olinda Star drilling rigs, which earn a waiting and moving rate equal to 95% of the dayrate for each such rig) will be applied in situations of total stoppage of operations of such rig attributable to adverse weather or when we are awaiting orders or other action with respect to such rig from Petrobras or the applicable charterer of such rig. Our drilling rigs are subject to reduced dayrates in the event we are unable to operate due to *force majeure* events as defined in the applicable charter and service agreements. See "Business—Backlog and Drilling Contracts."

As stated above, our offshore drilling contracts provide for additional remuneration through a bonus structure (which varies by contract) that rewards us for the efficient operation of our drilling rigs, which is measured by the availability of the respective rig. Bonuses are calculated as a percentage of dayrates and are assessed and paid monthly in arrears, are determined on an accrual basis, and are linked to uptime of our rigs. We are eligible for (1) an up to 10% performance bonus with respect to each of our Alpha Star, Amaralina Star, Laguna Star and Brava Star units, (2) a 15% performance bonus with respect to each of our Lone Star and Atlantic Star units, and (3) a 5% performance bonus with respect to our Gold Star unit. In the event that a drilling rig operates with less than 90% availability, we are not entitled to receive a performance bonus.

The following tables set forth the revenue per asset type, utilization days, uptime and actual average dayrates and average daily revenue for our drilling fleet for the periods presented:

	For the year ended December 31,			% Change	
	2018	2017	2016	2018/2017	2017/2016
Net revenue per asset type:		*(in millions of U.S.$)*			
Ultra-deepwater	370.4	830.8	902.7	(55.4)%	(8.0)%
Deepwater	37.1	4.0	12.4	827.5%	(67.7)%
Midwater	94.3	103.4	187.9	(8.8)%	(45.0)%
Onshore rigs	6.1	7.5	12.9	(18.7)%	(41.8)%
Other	—	0.1	3.9	(100.0)%	(97.4)%
Total	**507.9**	**945.8**	**1,119.7**	**(46.3)%**	**(15.5)%**

	For the year ended December 31,			Change	
	2018	2017	2016	2018/2017	2017/2016
Utilization days (1):		*(in days)*			
Ultra-deepwater	929	2,002	2,171	(1,073)	(169)
Deepwater	335	—	—	335	—
Midwater	365	365	684	—	(319)
Onshore rigs	274	140	282	134	(142)
Total	**1,903**	**2,507**	**3,137**	**(604)**	**(630)**

(1) Utilization days are derived by multiplying the number of rigs by the days under contract, excluding upgrade periods.

	For the year ended December 31,			Change	
	2018	2017	2016	2018/2017	2017/2016
Average contract dayrate (1) (including performance bonus when applicable):		*(in thousands of U.S.$)*			
Ultra-deepwater	453,839	457,675	449,435	(0.8)%	1.8%
Deepwater	116,300	—	209,108	N/A	N/A
Midwater	291,566	294,361	293,854	(1.0)%	0.2%
Onshore rigs	17,944	34,424	449,435	(47.9)%	(85.1)%

(1) Contract dayrates denominated in *reais* have been converted to U.S. dollars for the respective period presented at the selling rate as reported by the Central Bank for reais into U.S. dollars of R$3.874 to U.S.$1.00 as of December 31, 2018, R$3.3080 to U.S.$1.00 as of December 31, 2017 and R$3.2591 to U.S.$1.00 as of December 31, 2016.

	For the year ended December 31,		
	2018	2017	2016
Uptime (1):		*(%)*	
Ultra-deepwater	89	91	95
Deepwater	87	—	—
Midwater	96	99	98
Onshore rigs	98	99	99

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days.

As of the year ended December 31, 2018, the combined average uptime of our ultra-deepwater rigs declined to 89% compared to 91% during the year ended December 31, 2017, primarily due to an equipment failure on the Lone Star and Brava Star in the first quarter of 2018. The repairs were completed during the quarter and the rigs returned to operation under normal conditions until the end of its contracts.

During the year ended December 31, 2017, the combined average uptime of our ultra-deepwater rigs declined to 91% compared to 95% during the year ended December 31, 2016, as a result of equipment failures on the Lone Star and Gold Star during the second and third quarter of 2017, which was later repaired. In addition, during the second quarter of 2017, operation of the Amaralina Star was temporarily suspended following an inspection by the Ouro Negro project. The rig received permission to resume operations during the period.

Results of Operations of Investments

We have investments in several joint ventures and associate entities. We currently have:

- a 20% equity interest in associate entities with SBM Holding, SBM Espírito do Mar Inc. ("**Espírito do Mar**"), which owns FPSO Capixaba, and, FPSO Capixaba Venture S.A. ("**Capixaba Venture**"), the shareholder of SBM Capixaba Operações Marítimas Ltda., which operates FPSO Capixaba. See "Business—Our Fleet and Investments—FPSOs—FPSO Capixaba."

- a 20% equity interest in each of Tupi Nordeste S.à r.l. and Tupi Nordeste Holding Ltd., which are joint ventures with SBM Holding and certain other parties to convert, own and operate FPSO Cidade de Paraty, which began production in June 2013. See "Business—Our Fleet and Investments—FPSOs—FPSO Cidade de Paraty."

- a 12.75% equity interest in each of Guará Norte S.à r.l. and Guará Norte Holding Ltd., which are joint ventures with SBM Holding and certain other parties to convert, own and operate FPSO Cidade de Ilhabela, which began production in November 2014. See "Business—Our Fleet and Investments—FPSOs—FPSO Cidade de Ilhabela."

- a 5% equity interest in each of Alfa Lula Alto S.à r.l., Alfa Lula Alto Holding Ltd., Beta Lula Central S.à r.l. and Beta Lula Central Holding Ltd., which are joint ventures with SBM Luxembourg, Mitsubishi and NYK to convert, own and operate FPSO Cidade de Maricá and FPSO Cidade de Saquarema, which commenced production in February 2016 and July 2016, respectively. See "Business—Our Fleet and Investments—FPSOs—FPSO Cidade de Maricá" and "Business—Our Fleet and Investments—FPSOs—FPSO Cidade de Saquarema."

- a 15% equity interest in each of Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V., which are associate entities in accordance with a partnership with Sete Brasil. See "Business—Our Fleet and Investments—Sete Brasil Rigs."

We account for these investments under the equity method. Consequently, our results of operations are subject to fluctuations that depend on the results of these joint ventures. We share control over the operations and policies of these joint ventures. Pursuant to our business plan, we may acquire majority interests in SPVs that own FPSOs and we intend to control the operations and policies of those joint ventures.

Global Demand for Oil and Effect of Oil Prices on Demand for Drilling Services

Demand for drilling rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies. Offshore exploration and development spending may fluctuate substantially from year-to-year and from region-to-region. Such spending fluctuations result from a variety of economic and political factors, including:

- worldwide demand for oil and gas;
- regional and global economic conditions;
- political, social and legislative environments in major oil-producing countries;
- the policies of various governments, including the Brazilian government, regarding access to their oil and gas reserves;
- the ability of OPEC to set and maintain production levels and pricing and the level of production of non-OPEC countries;
- the development of alternative sources of fuel and energy;
- technological advancements that impact the methods for or cost of oil and gas exploration and development; and
- the impact that these and other events, whether caused by economic conditions, international or national climate change regulations or other factors, may have on the current and expected prices of oil and gas.

Historically, oil and gas prices and market expectations of potential changes in these prices have significantly affected the level of drilling activity worldwide. Generally, higher oil and gas prices, or our customers' expectations of higher prices, result in greater exploration and development spending by oil and gas companies, and lower oil and gas prices result in reduced exploration and development spending by oil and gas companies.

Oil prices have declined significantly since mid-2014, with crude oil prices trading below U.S.$30 per barrel in January 2016, in contrast to prices in excess of U.S.$100 per barrel in July 2014. The decline in oil prices has caused a significant decline in the demand for offshore drilling services, as many projects become uneconomical resulting in fewer market tenders in recent periods. Operators significantly reduced their capital spending budgets, including the cancellation or deferral of existing programs, and may continue operating under reduced budgets in the current commodity price environment. Brent is recently trading at U.S.$67.16 per barrel as of March 15, 2019. Declines in capital spending levels, together with the oversupply of rigs, have resulted in significantly reduced dayrates and utilization.

We expect 2019 to be a challenging year for drilling contractors, as the price of oil is not expected to recover in the short term. However, the industry is expected to overcome the oil and gas demand crisis and recover from the mismatch in the value of the remuneration rate of the service and charter contracts and of financings contracted for the acquisition of drilling units. In addition to this, Constellation has already proven to be successful in obtaining new business. The Brazilian federal government and the ANP have made several regulatory changes related to the bidding process in the oil and gas industry, including opening the market to companies other than Petrobras, allowing other operators to share in the market for the production of oil and gas. As a result, while we have not stopped participating in bidding processes conducted by Petrobras, we have entered into agreements with other companies in the industry as a way of coping with the oil and gas demand crisis in the country. Also in 2017, the Constellation Group entered into an international offshore contract with ONGC to charter Olinda Star rig for 3 years. The operation is being developed in one of the deepwater natural gas blocks in Krishna Godavari basin, located on the east coast of India. New contracts have also been entered into with Shell Brasil, Enauta, and Total Brasil. This demonstrates that, despite the broader economic conditions, there is significant potential demand in the national market that can be fulfilled by Constellation Group, given its reputation in the Brazilian market. From a global perspective, the outlook for the oil and gas sector is also positive due to the increasing demand for energy and, more importantly, the increase in forecasted prices of basic energy products.

Planned Investments in the Brazilian Offshore Oil and Gas Market

Although we are currently providing drilling services to various companies, including major oil companies, as of the years ended December 31, 2018 and 2017, Petrobras represented approximately 91% and 99%, respectively, of our gross revenue. In December 2018, Petrobras disclosed its 2019-2023 Business and Management Plan, which contemplates total investments of U.S.$84.1 billion, including an expected U.S.$68.8 billion investment (82% of the total investment) in E&P. In order to incentivize the investments, Petrobras will seek to develop critical skills and a culture of high performance to meet the new challenges of the Company, move forward with the divestment projects, prepare the Company for a more competitive environment based on cost and scale efficiency and strengthen the credibility and the reputation of the Company among its stakeholders. Total investments contemplated by Petrobras for the next five years are 13% higher than the total investments contemplated under its previous business plan for the 2018-2022 period. Petrobras has also indicated that its E&P segment intends to invest U.S.$68.8 billion, 14% higher than under the previous business plan, with the funds intended to be used to manage the E&P project portfolio, prioritizing the development of deepwater production — notably in the pre-salt areas, with a focus on accessing current and future partnerships seeking integrity and value generation, managing the exploratory portfolio in order to maximize economic viability to ensure the sustainability of oil and gas production, improving productivity and cost reduction and seeking diversification in energy sources and uses.

Tax Benefits

We benefit from REPETRO and a number of tax treaties in force in the jurisdictions in which our subsidiaries and we are incorporated. See "Risk Factors—Risks Relating to Our Industry—Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us" and "Business—Brazilian Regulatory Framework—REPETRO."

Results of Operations

The following discussion of our results of operations is based on our Audited Consolidated Financial Statements, prepared in accordance with IFRS as adopted by the IASB and included in this Offering Memorandum. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Principal Components of Our Results of Operations

Net Operating Revenue

Our net operating revenue is comprised of revenue from charter and service contracts and mobilization.

Our charter dayrates are denominated and payable in U.S. dollars. Our dayrates under the services agreements are denominated and payable in Brazilian *reais*, based on the exchange rate for U.S. dollars determined pursuant to the terms of the services agreements. In our offshore drilling contracts, our charter dayrates comprise between 60% and 90% of our total dayrate and our service dayrates comprise between 10% and 40% of our total dayrate.

Our charter and services agreements may permit increases in the dayrates based on a variety of factors, including inflation, machinery and equipment indexes, oil and gas industry indexes, and exchange rate variations.

Net operating revenue is measured at the fair value of the consideration received or receivable. In addition, net operating revenue is determined on an accrual basis according to the contracted dayrates, the uptime and the number of operating days during the financial period. The dayrates for our drilling rigs are set for the entire term of the charter and services agreements and payments are based on uptime; however, a waiting and moving rate equal to 90% or 95% (depending on the contract) of the applicable dayrate applies for certain periods when a drilling rig is available but not in operation.

As is customary in the offshore drilling market, there is a learning curve period for new units during which the unit is not fully utilized. This learning curve typically requires periods of downtime to make operational corrections and therefore, limits our ability to receive maximum revenue during the first 12 to 24 operating months.

Our net operating revenue from our service agreements is presented net of certain federal and municipal taxes. Importantly, the *Programa de Integração Social* ("**PIS**") (a federal value-added tax), and *Contribuição para o Financiamento da Seguridade Social* ("**COFINS**") (a federal value-added tax) are deducted from our gross revenue at rates of 1.65% and 7.6%, respectively. In addition, an *Imposto sobre Serviços de Qualquer Natureza* is assessed on our gross revenue from services at rates ranging from 2% to 5%. Revenue from our charter agreements for our offshore rigs is not subject to any taxes on revenue, except for the agreements where the revenue split between services and charter presents a charter revenue higher than 65% of the total revenue of such agreement. When the contractor is located in Brazil and the contracted charter company is not located in Brazil, any charter revenue that exceeds 65% of the total revenue is subject to a withholding income tax of 15%, pursuant to a change in law effective January 1, 2018.

Cost of Services

Our cost of services consists primarily of: (1) salaries and payroll expenses of the rig crews and supervisors; (2) depreciation; and (3) materials, maintenance (including repair services) and insurance. The following table sets forth our cost of services for the years ended December 31, 2018, 2017 and 2016.

	For the Year Ended December 31,					
	2018		2017		2016	
	(in millions of U.S.$)	*(% of net operating revenue)*	*(in millions of U.S.$)*	*(% of net operating revenue)*	*(in millions of U.S.$)*	*(% of net operating revenue)*
Payroll, charges and benefits	95.3	18.8%	146.1	15.5%	154.7	13.8
Depreciation	173.9	34.2%	229.2	24.2%	233.1	20.8
Materials	35.6	7.0%	56.7	6.0%	54.5	4.9
Maintenance	51.4	10.1%	62.5	6.6%	58.1	5.2
Insurance	6.7	1.3%	16.3	1.7%	17.0	1.5
Other(1)	17.8	3.5%	21.6	2.3%	20.9	1.9
Total cost of services	380.8	75.0%	532.4	**56.3%**	**538.3**	**48.1**

(1) Comprised mainly of costs for rig boarding transportation, data transmission and IT services, among others.

Salaries and payroll expenses include expenses for the crew that operates a rig, supervisors that directly support the operation of the rig and salaries, charges, benefits and costs related to training. Most of our payroll expenses are payable in *reais*, matching the currency of payment under our services agreements.

Depreciation costs are based on the costs of our drilling rigs, which are depreciated linearly over their respective useful economic lives. See note 13 to our Audited Consolidated Financial Statements for further details on the useful economic lives of our rigs. Drilling equipment is recorded at the lower of its acquisition cost or its market value. Our costs related to materials, maintenance and repair services include the costs of drilling equipment and supplies.

In addition to the above, we also analyze our contract drilling expenses, which are our total costs of services excluding depreciation.

When we commence operations of a unit, we typically have higher costs as a percent of our net operating revenue of the unit because we begin incurring full operating expenses. In contrast, our net operating revenue is driven by efficiency rates achieved during the learning curve period.

General and Administrative Expenses

Our general and administrative expenses consist of office expenses as well as the remuneration and compensation of directors and administrative employees, legal and auditing fees, rent expense related to office space and other miscellaneous expenses.

Financial Expenses, net

Our financial expenses, net consists of interest on loans and financings, derivatives expenses, financial expenses with related parties, and other financial expenses, net of financial income, including, interest on short-term investments, financial income from related parties and other financial income.

Taxes

We are organized in Luxembourg and have subsidiaries organized in Luxembourg and the Netherlands, where a tax on reportable income is imposed, but none of us reported taxable income during the years ended December 31, 2018, 2017 and 2016, and we do not expect to recognize taxable income in the Netherlands nor in Luxembourg during future periods. Most of our subsidiaries are organized in the British Virgin Islands and the Cayman Islands, which are jurisdictions that do not charge income taxes, and we also have a subsidiary organized in Panama, which is not subject to income tax. Certain of our subsidiaries are organized in Brazil and are subject to corporate income tax and social contribution tax at a composite rate of 34% and have recorded taxable income in the years ended December 31, 2018, 2017 and 2016. We also have subsidiaries organized in the United Kingdom, which are subject to income tax at a rate of 20%.

Effects of Foreign Exchange Variations on Our Results of Operations

Although our net operating revenues are primarily driven by dayrates and the availability of certain of our drilling rigs and mobilization, our net operating revenue is also affected by fluctuations in the *real*-U.S. dollar exchange rate to the extent that revenue under our service agreements is denominated in *reais*. In addition, our payroll, charges and benefits expenses as well as certain general and administrative expenses are also affected by fluctuations in the *real*-U.S. dollar exchange rate to the extent that these expenses are denominated in *reais*.

We measure the effect of foreign exchange variations on our results of operations derived from Constellation and denominated in *reais* by assuming that the exchange rate in the prior period remains the same between periods of comparison and all other factors affecting our results of operations are also otherwise unaffected.

The 17.1% appreciation of the average exchange rate of the U.S. dollar against the *real*, as reported by the Central Bank, during the year ended December 31, 2018, compared to the year ended December 31, 2017, resulted in:

- a 0.8% decrease in revenue in U.S. dollars from Constellation's contracts that were in force during the year ended December 31, 2018 compared to the year ended December 31, 2017; and
- a 7.6% decrease in payroll, charges and benefits costs and expenses in U.S. dollars during the year ended December 31, 2018 compared to the year ended December 31, 2017.

The 1.1% depreciation of the average exchange rate of the U.S. dollar against the *real*, as reported by the Central Bank, during the year ended December 31, 2017 compared to the year ended December 31, 2016 resulted in:

- a 1.3% increase in revenue in U.S. dollars from Constellation's contracts that were in force during 2017 when compared to 2016; and
- a 7.9% increase in payroll, charges and benefits costs and expenses in U.S. dollars during 2017 when compared to 2016.

Constellation's service revenues represented approximately 30.7%, 25.9% and 29.0% of our net operating revenue for the years ended December 31, 2018, 2017 and 2016, respectively.

Revenue denominated in *reais* generated under our service agreements tends to provide a natural hedge against a portion of our payroll, charges and benefits expenses and general and administrative expenses denominated in *reais*, but they do not fully match them. We do not enter into hedging arrangements with respect to our exposure to the residual foreign exchange rate risk, as we do not believe that this risk to our business is material. See "—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."

Year ended December 31, 2018 Compared with Year Ended December 31, 2017

The following table sets forth audited consolidated financial information for the years ended December 31, 2018 and 2017.

	For the year ended December 31,		
	2018	**2017**	**% Change**
	(in millions of U.S.$)		
Net operating revenue	507.9	945.8	(46.3)%
Cost of services	(380.8)	(532.4)	28.5%
Gross profit	**127.1**	**413.3**	(69.2)%
General and administrative expenses	(80.5)	(27.5)	(193.1)%
Other income	291.7	2.8	10,366%
Other expenses	(162.4)	(1,442.5)	88.7%
Operating profit	**175.9**	**(1,053.9)**	116.7%
Financial income	16.6	15.3	8.4%
Financial expenses, net	(124.5)	(131.9)	5.6%
Share of results of investments	7.7	22.3	112.7%
Profit (loss) before taxes	75.7	**(1,148.8)**	106.6%
Taxes	1.2	0.1	887.4%
Net income (loss)	**76.9**	**(1,148.7)**	106.7%

Net Operating Revenue

Net operating revenue decreased by U.S.$437.9 million, or 46.3%, during the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily as a result of:

- the end of the Gold Star and the Lone Star charter and services agreements in February 2018 and March 2018, respectively;
- the end of the Alpha Star charter and services agreements in July 2017;
- the end of the Brava Star and Amaralina Star charter and services agreements in August 2018 and September 2018, respectively; and
- the 17.1% appreciation of the average exchange rate of the U.S. dollar against the *real* during the year ended December 31, 2018, compared with the year ended December 31, 2017, which resulted in our net operating revenue being U.S.$74.9 million less than it would have been had there been no change in the average exchange rate between these periods and all other factors affecting our net operating revenue were otherwise unaffected.

Cost of Services

Our contract drilling expenses, which are our total costs of services excluding depreciation, decreased by U.S.$96.4 million, or 31.8%, during the year ended December 31, 2018 compared to the year ended December 31, 2017.

Our contract drilling expenses decreased as a result of:

- a 34.8% decrease in payroll, charges and benefits to U.S.$95.3 million during the year ended December 31, 2018 from U.S.$146.1 million during the year ended December 31, 2017, principally due to (1) a lower utilization of our offshore drilling rig fleet, and (2) the decrease in operating costs and reduced crew in our offshore business, in each case, as a result of the expiring contracts described above in "—Net Operating Revenue";
- a 37.1% decrease in costs of materials to U.S.$35.6 million during the year ended December 31, 2018 from U.S.$56.7 million during the year ended December 31, 2017, primarily due to lower demand for operating supplies as a result of the expiring contracts described above in "—Net Operating Revenue";

- a 17.7% decrease in maintenance costs to U.S.$51.4 million during the year ended December 31, 2018 from U.S.$62.5 million during the year ended December 31, 2017, primarily due to the decrease in operating costs as a result of the expiring contracts described above in "—Net Operating Revenue"; and

- the 17.1% appreciation of the average exchange rate of the U.S. dollar against the *real* during the year ended December 31, 2018, compared with the year ended December 31, 2017, which resulted in our contract drilling expenses being U.S.$16.4 million lower than they would have been had there been no change in the average exchange rate between these periods and all other factors affecting our contract drilling expenses were otherwise unaffected.

Our total cost of services decreased by U.S.$151.6 million, or 28.5%, during the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily as a result of a 24.1% decrease in depreciation to U.S.$173.9 million during the year ended December 31, 2018 from U.S.$229.2 million during the year ended December 31, 2017, principally due to the expiring contracts described above in "—Net Operating Revenue."

The following table sets forth the components of our cost of services for the years ended December 31, 2018 and 2017.

	For the year ended December 31,		
	2018	**2017**	**% Change**
	(in millions of U.S.$)		
Payroll, charges and benefits	(95.3)	(146.1)	(34.8)%
Depreciation	(173.9)	(229.2)	(24.1)%
Materials	(35.6)	(56.7)	(37.1)%
Maintenance	(51.4)	(62.5)	(17.8)%
Insurance	(6.7)	(16.3)	(58.9)%
Other(1)	(17.8)	(21.6)	(17.8)%
Total cost of services	**(380.8)**	**(532.4)**	**(28.5)%**

(1) Comprised mainly of costs for rig boarding transportation, data transmission and IT services, among others.

Gross Profit

As a result of the foregoing, our gross profit decreased by U.S.$286.2 million, or 69.2%, during the year ended December 31, 2018, compared to the year ended December 31, 2017. Gross margin (gross profit as a percentage of net operating revenue) decreased to 25.0% during the year ended December 31, 2018 from 43.7% during the year ended December 31, 2017.

General and Administrative Expenses

General and administrative expenses increased by U.S.$53.1 million, or 193.1%, during the year ended December 31, 2018, compared to the year ended December 31, 2017, primarily as a result of a 467.1% increase in other general and administrative expenses to U.S.$65.4 million during the year ended December 31, 2018 from U.S.$11.5 million during the year ended December 31, 2017, primarily as a result of increases in the external legal advisor, independent auditor and financial advisory expenses, in part, related to the RJ Proceeding. General and administrative expenses as a percentage of net operating revenue increased to 15.9% during the year ended December 31, 2018, from 2.9% during the year ended December 31, 2017.

Other Operating Income (Expenses), Net

We recorded other operating expenses, net, of U.S.$129.2 million during the year ended December 31, 2018 compared to other operating expenses, net, of U.S.$1,439.7 million during the year ended December 31, 2017, principally due to our recognition of U.S.$22.3 million in onerous contract provisions related to contracts between Brava Star and Shell, Laguna Star and Enauta and Amaralina Star and Total during the year ended December 31, 2018 compared to our recognition of U.S.$1,397.5 million in non-cash impairment charges related to the Alpha Star, Amaralina Star, Brava Star, Gold Star, Laguna Star, Lone Star and Olinda Star rigs during the year ended December 31, 2017. In addition, we recognized an impairment loss on our investment in the FPSOs of U.S$98.9 million during

the year ended December 31, 2018 related to our intention to sell our investments in the FPSOs, compared to no such impairment loss during the year ended December 31, 2017.

These operating expenses, net were partially offset by a U.S.$260.2 million impairment reversal for the decreased in impairment loss related to certain drilling rigs that had been previously recognized, compared to no such reversion or reversals during the year ended December 31, 2017.

Operating Profit

As a result of the foregoing, our operating profit increased by 116.7% to U.S.$175.9 million during the year ended December 31, 2018, compared to an operating loss U.S.$1,053.9 million during the year ended December 31, 2017. Excluding non-cash losses registered in both periods, we would have reported a net income of U.S.$26.5 million during the year ended December 31, 2018, and U.S.$287.4 million during the year ended December 31, 2017, which represent a 90.8% year-over-year decrease. Excluding abovementioned non-cash losses, as a percentage of net operating revenue, our operating profit decreased to 24.6% during the year ended December 31, 2018 from 40.4% during the year ended December 31, 2017.

Financial Expenses, Net

Financial expenses, net, decreased by U.S.$9.4 million, or 8.0%, during the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily as a result of a U.S.$1.3 million increase in financial income and a U.S.$7.4 million decrease in financial expenses.

Financial Income

Financial income increased by U.S.$1.3 million, or 8.4%, to U.S.$16.6 million during the year ended December 31, 2018, from U.S.$15.3 million during the year ended December 31, 2017, primarily as a result of a 389% increase in other financial income to U.S.$7.7 million during the year ended December 31, 2018 from U.S.$1.6 million during the year ended December 31, 2017, which was partially offset by (1) a 56.4% reduction in the interest on short-term investments to U.S.$2.5 million, during the year ended December 31, 2018, from U.S.$5.8 million during the year ended December 31, 2017, due to a reduction on the average balance of short-term investments during the period, and (2) a 19.8% decrease in financial income from related parties to U.S.$6.4 million during the year ended December 31, 2018, from U.S.$8.0 million during the year ended December 31, 2017, due to revenue from interest on intercompany loans.

Financial Expenses

Financial expenses decreased by 5.6% to U.S.$124.5 million during the year ended December 31, 2018 from U.S.$131.9 million during the year ended December 31, 2017, primarily as a result of (1) a 1.6% decrease in financial expenses on loans and financings to U.S.$117.8 million during the year ended December 31, 2018, from U.S.$119.8 million during the year ended December 31, 2017, due to reduction on the average balance of loans and financing in the period and (2) a 89.9% decrease in derivative expenses to U.S.$0.5 million during the year ended December 31, 2018 from U.S.$5.0 million during the year ended December 31, 2017, mainly due to the termination of interest rate swap agreement as a result of the RJ Plan.

Share of Results of Investments

Our gain from share of results of investments decreased 69%, or U.S.$15.5 million, during the year ended December 31, 2018, compared to the year ended December 31, 2017, primarily as a result of our loss from share of results of investments related to Capixaba Venture of U.S.$18.7 million primarily due to impairment recognized during the year ended December 31, 2018, compared to impairment recognized during the year ended December 31, 2017, and of our aggregate investment in the FPSOs of U.S.$6.8 million due to our intention to sell our investments in the FPSOs, which was partially offset by our gain from share of results of investments related to Espírito do Mar of U.S.$7.5 million primarily due to impairment recognized during the year ended December 31, 2018, compared to impairment recognized during the year ended December 31, 2017.

Taxes

We recorded tax income of U.S.$1.2 million during the year ended December 31, 2018, compared to tax income of U.S.$0.1 million during the year ended December 31, 2017, due to an increase in taxable profit of our subsidiary Constellation Overseas during the year ended December 31, 2018, which increase was partially offset as a result of the expiring contracts described above in "—Net Operating Revenue."

Net income (loss) for the Year

As a result of the foregoing, our net income was U.S.$76.9 million, or 15.14% of our net operating revenue, during the year ended December 31, 2018, compared to a net loss of U.S.$1,148.7 million, or (121.5)% of our net operating revenue, during the year ended December 31, 2017.

Year ended December 31, 2017 compared with year ended December 31, 2016

The following table sets forth audited consolidated financial information for the years ended December 31, 2017 and 2016.

	For the year ended December 31,		
	2017	**2016**	**% Change**
	(in millions of U.S.$)		
Net operating revenue	945.8	1,119.7	(15.5)%
Cost of services	(532.4)	(538.3)	(1.1)%
Gross profit	**413.4**	**581.4**	**(28.9)%**
General and administrative expenses	(27.5)	(44.2)	(37.8)%
Other operating income (expenses), net	(1,439.8)	(249.6)	476.7%
Operating profit	**(1,053.9)**	**287.6**	**(466.5)%**
Financial expenses, net	(117.2)	(118.7)	(1.3)%
Share of results of investments	22.3	3.3	579.8%
Profit (loss) before taxes	**(1,148.8)**	**172.2**	**(767.1)%**
Taxes	0.1	(12.6)	(100.9)%
Net income (loss)	**(1,148.7)**	**159.6**	**(819.7)%**

Net Operating Revenue

Net operating revenue decreased by U.S.$173.9 million, or 15.5%, during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of:

- the expiration of the Alaskan Star charter and services agreements in November 2016;
- the expiration of the Alpha Star charter and services agreements in July 2017; and
- the recognition of a provision for an onerous contract in the amount of U.S.$42.2 million related to the contract between Olinda Star and ONGC in 2017.

This effect was partially offset by

- a U.S.$8.7 million increase in revenues due to the commencement of operations of the QG-VIII charter and services agreements with Rosneft in January 2017; and
- the 8.5% depreciation of the average daily selling rate of the U.S. dollar against the *real* during the year ended December 31, 2017, compared with the year ended December 31, 2016, which resulted in our net operating revenue being U.S.$14.6 million more than it would have been had there been no change in the average daily selling rate between these periods and all other factors affecting our net operating revenue were otherwise unaffected.

Cost of Services

Our contract drilling expenses, which are our total costs of services excluding depreciation, remained stable with a slight decrease of U.S.$1.9 million, or 0.6%, during the year ended December 31, 2017.

Our contract drilling expenses decreased slightly as a result of:

- a 5.6% decrease in payroll, charges and benefits to U.S.$146.1 million during the year ended December 31, 2017 from U.S.$154.7 million during the year ended December 31, 2016, principally due to the expiration of the Alaskan Star charter and services agreements in November 2016, QG-I in June 2016, QG-II in April 2016, and Alpha Star in July 2017; and

- a 4.1% decrease in insurance costs to U.S.$16.3 million during the year ended December 31, 2017 from U.S.$17.0 million during the year ended December 31, 2016, primarily due to the reduction of insurance policies premium.

This effect was partially offset by:

- a 7.5% increase in maintenance to U.S.$62.5 million during the year ended December 31, 2017 from U.S.$58.1 million during the year ended December 31, 2016, primarily due to the preparation of the Olinda Star for the contract with ONGC;

- a 4.1% increase in materials to U.S.$56.7 million during the year ended December 31, 2017 from U.S.$54.5 million during the year ended December 31, 2016, primarily due to the preparation of the Olinda Star for the contract with ONGC; and

- the 8.5% depreciation of the average daily selling rate of the U.S. dollar against the *real* during the year ended December 31, 2017, compared with the year ended December 31, 2016, which resulted in these costs being U.S.$18.7 million higher than they would have been had there been no change in the average daily selling rate between these periods and all other factors affecting our net operating revenue were otherwise unaffected.

Our total cost of services remained stable with a slight decrease of U.S.$5.8 million, or 1.1%, during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of a 5.6% decrease in payroll, charges and benefits and a 1.7% decrease in depreciation to U.S.$229.2 million during the year ended December 31, 2017 from U.S.$233.1 million during the year ended December 31, 2016, principally due to the expiring contracts described above in "—Net Operating Revenue."

The following table sets forth the components of our cost of services for the years ended December 31, 2017 and 2016.

	For the year ended December 31,		
	2017	**2016**	**% Change**
		(in millions of U.S.$)	
Payroll, charges and benefits	(146.1)	(154.7)	(5.6)%
Depreciation	(229.1)	(233.1)	(1.7)%
Materials	(56.7)	(54.5)	4.1%
Maintenance	(62.5)	(58.1)	7.5%
Insurance	(16.3)	(17.0)	(4.1)%
Other(1)	(21.7)	(20.9)	3.8%
Total cost of services	**(532.4)**	**(538.3)**	**(1.1)%**

(1) Comprised mainly of costs for rig boarding transportation, data transmission and IT services, among others.

Gross Profit

As a result of the foregoing, our gross profit decreased by U.S.$168.0 million, or 28.9%, during the year ended December 31, 2017 compared to the year ended December 31, 2016. Gross margin (gross profit as a percentage of

net operating revenue) decreased to 43.7% during the year ended December 31, 2017 from 51.9% during the year ended December 31, 2016.

General and Administrative Expenses

General and administrative expenses decreased by U.S.$16.7 million, or 37.8%, during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of

- a 37.2% decrease in payroll, charges and benefits expenses to U.S.$15.3 million during the year ended December 31, 2017 from U.S.$24.3 million during the year ended December 31, 2016, principally as a result of the reduction in crew in our onshore and offshore businesses as a result of certain ongoing efforts to reduce expenses; and

- a 39.7% decrease in other expenses to U.S.$11.5 million during the year ended December 31, 2017 from U.S.$19.1 million during the year ended December 31, 2016, principally due to the reduction in consulting services and professional fees.

General and administrative expenses as a percentage of net operating revenue decreased to 2.9% during the year ended December 31, 2017 from 3.9% during the year ended December 31, 2016.

Other Operating Income (Expenses), Net

We recorded other operating expenses, net, of U.S.$1,439.7 million during the year ended December 31, 2017 compared to other operating expenses, net, of U.S.$249.7 million during the year ended December 31, 2016, principally due to our recognition of U.S.$1,397.5 million in non-cash impairment charges related to the Alpha Star, Amaralina Star, Brava Star, Gold Star, Laguna Star, Lone Star and Olinda Star drilling rigs during the year ended December 31, 2017 compared to our recognition of U.S.$269.0 million in non-cash impairment charges mainly related to the Alaskan Star and Alpha Star drilling rigs during the year ended December 31, 2016.

Operating Profit

As a result of the foregoing, our operating loss was U.S.$1,053.9 million during the year ended December 31, 2017, which represents a decrease of 266.5% compared to an operating profit of U.S.$287.6 million for the year ended December 31, 2016. Excluding non-cash losses registered in both periods, we would have reported a net income of U.S.$287.4 million during the year ended December 31, 2017, and U.S.$439.7 million during the year ended December 31, 2016, respectively, which represent a 34% year-over-year decrease. Excluding abovementioned non-cash losses, as a percentage of net operating revenue, our operating profit decreased to 40.4% during the year ended December 31, 2017 from 50.7% during the year ended December 31, 2016.

Financial Expenses, Net

Financial expenses, net, decreased by U.S.$1.5 million, or 1.3%, during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of a U.S.$1.4 million decrease in financial expenses.

Financial Income

Financial income remained the same at U.S.$15.3 million during the year ended December 31, 2017, primarily as a result of a U.S.$0.8 million, or 9.3%, decrease in financial income from related parties to U.S.$8.0 million during the year ended December 31, 2017, from U.S.$8.8 million during the year ended December 31, 2016, which was partially offset by a U.S.$0.5 million, or 8.6%, increase in interest on short-term investments to U.S.$5.8 million during the year ended December 31, 2017, from U.S.$5.3 million during the year ended December 31, 2016.

Financial Expenses

Financial expenses decreased by 1.1% to U.S.$131.9 million during the year ended December 31, 2017 from U.S.$133.3 million during the year ended December 31, 2016, primarily due (1) to a 41.5% decrease in derivative expenses to U.S.$5.0 million during the year ended December 31, 2017 from U.S.$8.6 million during the year ended

December 31, 2016, mainly as a result of the termination of Gold Star and Alpha Star swap agreements in March 2017 and July 2017, respectively; and (2) to a 5.0% increase in financial expenses on loans and financings to U.S.$119.7 million during the year ended December 31, 2017 from U.S.$114.0 million during the year ended December 31, 2016 due to the issuance of the 2024 Notes.

Share of Results of Investments

Our gain from share of results of investments increased by 563.7%, or U.S.$19.0 million, during the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of (1) the elimination of losses from share of results of investments related to the Sete Brasil rig assets owned by the associate entities (Urca, Bracuhy and Mangaratiba) due to our write-off of such assets, as compared to a loss of U.S.$12.8 million in the year ended December 31, 2016, and (2) a U.S.$10.7 million increase in our gains from share of results of investments related to the value of impairment recognized during the year ended December 31, 2017 of FPSO Cidade de Paraty as compared to the corresponding value FPSO Cidade de Paraty during the year ended December 31, 2016.

These effects were partially offset by losses from our share of results of U.S.$6.5 million and U.S.$4.3 million related to FPSO Capixaba and FPSO Cidade de Paraty, primarily due to impairment recognized during the year ended December 31, 2017, compared to impairment recognized during the year ended December 31, 2016.

Taxes

We recorded tax income of U.S.$0.1 million during the year ended December 31, 2017, compared to tax expense of U.S.$12.6 million during the year ended December 31, 2016, principally due (1) to the decrease in maintenance agreement rates; (2) to the expiration of the Alaskan Star charter and services agreements in November 2016; and (3) to the expiration of the Alpha Star charter and services agreements in July 2017.

Loss for the Year

As a result of the foregoing, our loss was U.S.$1,148.7 million, or (121.5)% of our net operating revenue, during the year ended December 31, 2017 compared to a profit of U.S.$159.6 million, or 14.3% of our net operating revenue, during the year ended December 31, 2016.

Liquidity and Capital Resources

We operate in a capital-intensive industry. Our principal cash requirements consist of the following:

- capital expenditures related to investments in operations and maintenance and upgrades of our existing drilling rigs;
- servicing our indebtedness;
- equity contributions to or purchases of participations in joint ventures; and
- working capital requirements.

Our principal sources of liquidity consist of the following:

- cash flows from operating activities;
- short-term and long-term loans and financings; and
- capital contributions and shareholder contributions.

As a result of the RJ Proceeding commenced in December 2018, we ceased to pay principal and interest on our loans and financings subsequent to the date of the filing. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, our loans and financings were replaced and renewed under Brazilian Bankruptcy Law and creditors under our loans and financings are entitled only to receive the recoveries set forth in the RJ Plan as recoveries for their claims in accordance with the terms and conditions of the RJ Plan.

Under our bylaws, unless our Board of Directors deems it inconsistent with our financial position, payment of dividends is mandatory. Notwithstanding the requirements of our bylaws, under the RJ Plan, we are prohibited from declaring or paying any dividend, return on capital, or making any other payment or distribution on (or related to) our shares prior to the Settlement Date.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term loans and financings; and
- capital contributions and shareholder contributions.

As a result of the commencement of our RJ Proceeding in December 2018, our access to short-term and long-term loans and our ability to sell debt securities in domestic and international capital markets has been substantially curtailed.

During the years ended December 31, 2018, 2017 and 2016, our operations generated cash flows of U.S.$222.4 million, U.S.$666.7 million and U.S.$890.9 million, respectively. We used U.S.$227.2 million of our cash to repay loans and financings in 2018 prior to the commencement of the RJ Proceeding. In addition, our capital expenditures during the years ended December 31, 2018, 2017 and 2016 were U.S.$30.0 million, U.S.$80.2 million and U.S.$86.2 million, respectively. We believe that our continued program of capital expenditures is necessary in order for us to operate in the competitive environment for onshore and offshore drilling services. As our cash flow generated from our operations has not been sufficient to meet the demands of our investing and financing activities, our balances of cash and cash equivalents have declined as of December 31, 2018, December 31, 2017 and December 31, 2016.

As of December 31, 2018, our consolidated cash and cash equivalents and short-term investments amounted to U.S.$135.5 million. As of December 31, 2018, we had a working capital deficiency (consisting of current assets less current liabilities) of U.S.$1,346.6 million.

We expect to use our cash flows from operating activities and our cash and cash equivalents and short-term cash investments to fund our capital expenditures and debt service obligations. As a result of the Restructuring, our restructured debt obligations will commence accruing interest on the Settlement Date, and we will be required to fund any cash interest payments payable thereunder from our available cash resources.

We anticipate spending approximately U.S.$106.0 million on capital expenditures for our drilling rigs in connection with current or possible future contractual commitments through 2019.

As part of the RJ Plan and subject to the terms of the Backstop Agreement, the Backstop Investors have agreed to exercise their Subscription Rights in this Rights Offering to purchase the First Lien Tranche. To the extent Subscription Rights to purchase the Maximum Principal Amount of the First Lien Tranche have not been validly exercised as of the Expiration Date, the Backstop Investors have agreed to purchase the unsubscribed portion of the First Lien Tranche, subject to certain conditions. See “Business—The Backstop Agreement.” In the absence of the proceeds of the Rights Offering (including the Backstop Agreement), or other funds obtained in the capital markets or under new credit export facilities, we may have insufficient funds to implement our capital expenditure program and modernize our infrastructure, which could result in a significant deterioration of our ability to generate cash flows from operating activities.

Our audited consolidated financial statements have been prepared assuming that we will continue as a going concern. Our management’s assessment of our ability to continue as a going concern is discussed in note 1 to our 2018 Financial Statements included in this Offering Memorandum. As of the date hereof, our management had taken relevant steps in the RJ Process, particularly the preparation, presentation and approval of the RJ Plan by our creditors, which allows our viability and continuity, and the approval of the RJ Plan by our creditors. The confirmation of the RJ Plan by the RJ Court is a condition to the expiration of the Rights Offering, and our management has been making the necessary efforts to implement and monitor the RJ Plan based on the understanding that our financial statements were prepared with a going concern assumption.

We believe that our ability to continue as a going concern is contingent upon our ability to implement the RJ Plan, to maintain existing customer, vendor and other relationships and to maintain sufficient liquidity throughout the RJ Proceeding, among other factors. For a discussion of risks relating to the implementation of the RJ Plan, see "Risk Factors—Risks Relating to Our Restructuring."

Cash Flows

The following table sets forth certain information about our cash flows for the years ended December 31, 2018 and 2017 and 2016.

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Net cash provided by operating activities:	*(in millions of U.S.$)*		
Net income (loss) for the period	76.9	(1,148.7)	159.6
Adjustments to reconcile profit/ (loss) for the period to net cash provided by operating activities	121.5	1,708.7	594.5
Profit after adjustments to reconcile profit/ (loss) for the period to net cash provided by operating activities	198.3	560.0	754.1
Decrease (increase) in working capital related to operating activities	28.3	117.8	162.5
Net cash provided by operating activities	222.4	666.7	890.9
Net cash used in investing activities	(25.3)	(71.0)	(71.9)
Net cash used in financing activities	(304.6)	(671.0)	(681.0)
Increase/ (decrease) in cash and cash equivalents	(107.4)	(75.2)	138.0
Cash and cash equivalents at the beginning of the period	216.2	293.2	154.8
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.5	(1.7)	0.4
Cash and cash equivalents at end of the period	**109.4**	**216.3**	**293.2**

Cash Flows Provided by Operating Activities

During the years ended December 31, 2018 and 2017 and 2016, operating activities provided net cash of U.S.$222.4 million, U.S.$666.7 million and U.S.$890.9 million, respectively.

Net cash provided by operating activities decreased by U.S.$444.3 million during the year ended December 31, 2018, compared to the year ended December 31, 2017. During the year ended December 31, 2018, our cash generated from profit after adjustments to reconcile profit to net cash used in operating activities was U.S.$198.3 million during the year ended December 31, 2018, a decrease of U.S.$361.7 million compared to the year ended December 31, 2017, principally due to the expiring contracts described above in "Results of Operations—Year Ended December 31, 2018 Compared with Year Ended December 31, 2017—Net Operating Revenue." Our increase in working capital relating to operating activities was U.S.$28.3 million during the year ended December 31, 2018 compared to an increase in working capital of U.S.$117.8 million during the year ended December 31, 2017.

Net cash provided by operating activities decreased by U.S.$224.2 million during the year ended December 31, 2017 compared to the year ended December 31, 2016. During the year ended December 31, 2017, our cash generated from profit after adjustments to reconcile profit to net cash used in operating activities was U.S.$560.0 million, a decrease of U.S.$194.1 million compared to the year ended December 31, 2016, principally due to a decrease in the gross profit of U.S.$168 million in the year ended December 31, 2017 compared to the year ended December 31, 2016. This decrease in profit after adjustments to reconcile profit to net cash used in operating activities was offset by a decrease in working capital of U.S.$117.8 million compared to a decrease in working capital of U.S.$162.5 million during year ended December 31, 2016.

Cash Flows Used in Investing Activities

During the years ended December 31, 2018, 2017 and 2016, investing activities used net cash of U.S.$25.3 million, U.S.$71.0 million and U.S.$71.9 million, respectively.

During the year ended December 31, 2018, investing activities for which we used cash primarily consisted of capital expenditures of U.S.$30.0 million in property, plant and equipment, including U.S.$18.2 million related to

Laguna Star, U.S.$5.7 million related to Amaralina Star and U.S.$4.1 million related to Olinda Star. These disbursements were partially offset by a capital decrease in investments in an aggregate amount of U.S.$4.7 million, including U.S.$0.4 million related to Tupi Nordeste S.à r.l., U.S.$1.7 million related to Guará Norte S.à r.l., U.S.$0.9 million related to Guará Norte Holding Ltd., and U.S.$1.8 million related to Beta Lula Central S.à r.l.

During the year ended December 31, 2017, investing activities for which we used cash primarily consisted of capital expenditures of U.S.$80.2 million in property, plant and equipment, including U.S.$31.2 million related to Amaralina Star, U.S.$17.3 million related to Olinda Star and U.S.$15.1 million related to Laguna Star. These disbursements were partially offset by (i) dividends received in an aggregate amount of U.S.$6.6 million, and (ii) a capital decrease in investments in an aggregate amount of U.S.$2.6 million, including U.S.$0.9 million related to FPSO Cidade de Maricá, and U.S.$1.7 million related to FPSO Cidade de Saquarema.

During the year ended December 31, 2016, investing activities for which we used cash primarily consisted of (1) capital expenditures of U.S.$86.2 million in property, plant and equipment, including U.S.$36.7 million related to Lone Star, U.S.$19.7 million related to Alpha Star and U.S.$8.6 million related to Amaralina Star, and (2) capital contributions to meet our FPSOs construction milestones in the aggregate amount of U.S.$8.3 million, including U.S.$5.0 million related to FPSO Cidade de Maricá and U.S.$3.0 million related to FPSO Cidade de Saquarema. These disbursements were partially offset by a capital decrease in investments and proceeds from related parties in an aggregate amount of U.S.$22.5 million, including U.S.$7.8 million related to FPSO Cidade de Maricá, U.S.$7.4 million related to FPSO Cidade de Saquarema and U.S.$6.3 million related to FPSO Capixaba.

Cash Flows Provided by (Used in) Financing Activities

During the years ended December 31, 2018, 2017 and 2016, financing activities used cash flows of U.S.$304.6 million, U.S.$671.0 million and U.S.$681.0 million, respectively.

During the year ended December 31, 2018, we did not receive proceeds from loans and financings. During the year ended December 31, 2018, we used cash (1) to make scheduled amortization payments under our loans and financings in an aggregate amount of U.S.$230.5 million, and (2) to make interest payments under our loans and financings in an aggregate amount of U.S.$67.3 million.

During the year ended December 31, 2017, we did not receive proceeds from loan and financing agreements. During the year ended December 31, 2017, we used cash (1) to make scheduled amortization payments under our loans and financings in an aggregate amount of U.S.$532.5 million; and (2) to make scheduled interest payments under our loans and financings in an aggregate amount of U.S.$104.3 million.

During the year ended December 31, 2016, we did not receive proceeds from loan and financing agreements. During the year ended December 31, 2016, we used cash (1) to make scheduled amortization payments under our loans and financings in an aggregate amount of U.S.$435.3 million, (2) to make scheduled interest payments under our loans and financings in an aggregate amount of U.S.$104.3 million and (3) to make dividend payments of U.S.$94.4 million.

Capital Expenditures

We have incurred capital expenditures in the last three years in order to construct, upgrade and maintain our rigs, including five-year surveys. For the years ended December 31, 2018, 2017 and 2016, we recorded capital expenditures of U.S.$ 30.0 million, U.S.$80.2 million and U.S.$86.2 million, respectively, in connection with the construction, preventative maintenance and survey of our rigs. We anticipate spending approximately U.S.$106.0 million on capital expenditures for our drilling rigs in connection with current or possible future contractual commitments through 2019.

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of December 31, 2018:

	Payments Due by Period				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
			(in millions of U.S.$)		
Loans and financings (1)	707.3	453.0	169.5	536.3	1,866.1
Trade payables	33.2	—	—	—	33.2
Payables to related parties	0.2	—	—	—	0.2
Total contractual obligations	740.6	453.0	169.5	536.3	1,899.4

(1) Consists of estimated future amortization payments amounts plus interest on our loans and financings, calculated based on interest rates and foreign exchange rates applicable at December 31, 2018, and assuming that all amortization payments and payments at maturity on our loans and financings will be made on their scheduled payment dates. Due to the RJ Proceeding, the amortizations were suspended until the approval of the restructuring plan, which will establish new maturity dates as described in "Business—Judicial Restructuring."

Indebtedness

For a description of our significant long-term indebtedness, see "Summary—Recent Developments—Judicial Reorganization."

Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interests in entities referred to as special purpose entities, which includes special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in interest rates and foreign currency exchange rates as discussed below. We have entered, and in the future may enter, into derivative financial instrument transactions to manage or reduce market risk, but we do not enter into derivative financial instrument transactions for speculative or trading purposes.

Interest Rate Risk

We are exposed to changes in interest rates through our variable rate long-term debt. We use interest rate swaps to manage our exposure to interest rate risk. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired position of fixed and floating rate debt. Until the last quarter of 2018, the Constellation Group has managed the interest rate risk related to the loans funding the Amaralina Star, Laguna Star and Brava Star drillships with interest rate swaps, which were terminated as a result of the RJ Plan.

Foreign Currency Exchange Rate Risk

The U.S. dollar is the functional currency of the issuer and most of its subsidiaries because the substantial majority of our revenues and part of our expenses are denominated in U.S. dollars. Accordingly, our reporting currency is also the U.S. dollar. However, there is a risk that currency fluctuations could have an adverse effect on us as we also earn revenue and incur expenses in other currencies, mainly Brazilian *reais*. As a result of the payment structure of our customer contracts, we reduce our exposure to exchange rate fluctuations in connection with monetary assets, liabilities and cash flows denominated in certain foreign currencies. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, our actual local currency needs may vary from those anticipated in our customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies have not had a material impact on our overall operating results or financial condition. See "—Results of Operations—Principal Components of Our Results of Operations—Effects of Foreign Exchange Variations on Our Results of Operations" for further information.

BUSINESS

Overview

We are a market-leading provider of offshore oil and gas contract drilling and FPSO services in Brazil and abroad. We are also one of the largest drilling companies in Brazil, as measured by the number of offshore drilling floaters currently in operation. We believe that our size and over 38 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. We own and hold ownership interests in a fleet of offshore and onshore drilling rigs and FPSOs, including six modern ultra-deepwater dynamically positioned rigs. During the years ended December 31, 2018 and 2017, we recorded net operating revenues of U.S.$507.9 million and U.S.$945.8 million, respectively, Adjusted EBITDA of U.S.$254.6 million and U.S.$634.8 million, respectively, and an Adjusted EBITDA margin of 50.1% and 67.1%, respectively. As of December 31, 2018, we had total net debt of U.S.$1.3 billion and shareholder's equity of U.S.$1.4 billion, equivalent to 42.4% and 46.3%, respectively, of our total assets as of that date.

Our Fleet and Investments

Offshore Drilling Rigs

As of the date of this Offering Memorandum, three of our offshore drilling assets were in operation: Brava Star is contracted to Shell Brasil, Laguna Star is contracted to Enauta and Olinda Star is contracted to ONGC. The following table sets forth additional information with respect to each of our offshore drilling assets.

Rig	% Interest	Type	Water Depth (ft)	Drilling Depth (ft)	Delivery Date (2)	Contract Expiration Date (3)
Ultra-deepwater						
Alpha Star	100%	SS	9,000	30,000	n/a	n/a
Lone Star	100%	SS	7,900	30,000	n/a	n/a
Gold Star	100%	SS	9,000	30,000	n/a	n/a
Amaralina Star (1)	100%	DP drillship	10,000	40,000	n/a	n/a
Laguna Star (1)	100%	DP drillship	10,000	40,000	February 2019	August 2021
Brava Star	100%	DP drillship	12,000	40,000	March 2019	November 2019
Deepwater						
Olinda Star	100%	Moored; SS	3,600	24,600	January 2018	January 2021
Midwater						
Atlantic Star	100%	Moored; SS	2,000	21,320	n/a	n/a

(1) Until September 21, 2018, we held a 55% interest in these drillships through a joint venture with Alperton, although we were entitled to receive 100% of the charter and services revenues from these drillships until the repayment in full of loans we have made to Alperton (with a maximum term of 12 years) to fund its related equity contributions. See "—Shareholder and Joint Venture Agreements—Shareholders Agreements Related to Amaralina Star and Laguna Star." As a result of the transfer of Alperton's 45% stake in Amaralina Star Ltd. and Laguna Star Ltd. in September 2018 to Constellation Overseas, pursuant to the Amaralina/Laguna Shareholders' Agreements, we now indirectly hold a 100% interest in these drillships. Such ownership is subject to an ongoing dispute with Alperton. For additional information, see "Recent Developments—Alperton Dispute."

(2) The "Delivery Date" corresponds to the date the upgrade of these rigs was last concluded.

(3) Firm period, not including options for additional wells.

Alpha Star

Alpha Star is a semi-submersible drilling rig that commenced operations in July 2011. This drilling rig is capable of drilling in waters with depths of up to 9,000 feet and has a drilling depth capacity of up to 30,000 feet. Alpha Star is equipped to operate in pre-salt water depths. It is a DSS 38 rig constructed by Keppel FELS. On October 20, 2016, Alpha Star commenced its five-year survey.

Lone Star

Lone Star is a semi-submersible drilling rig that commenced operations in April 2011. This drilling rig is capable of drilling in waters with depths of up to 7,900 feet and has a drilling depth capacity of up to 30,000 feet. Lone Star is equipped to operate in pre-salt water depths. It is a TDS 2000 Plus rig constructed by SBM Atlantia/GPC. Lone Star concluded its scheduled five-year survey in April 2016.

Gold Star

Gold Star is a semi-submersible drilling rig that commenced operations in February 2010. This drilling rig is capable of drilling in waters with depths of up to 9,000 feet and has a drilling depth capacity of up to 30,000 feet. Gold Star is equipped to operate in pre-salt water depths. It is a DSS 38 rig constructed by Keppel FELS. Gold Star concluded its scheduled five-year survey in late March 2015.

Amaralina Star

Amaralina Star is an ultra-deepwater drillship that commenced operations in September 2012. This drilling rig is designed to be capable of drilling in waters with depths of up to 10,000 feet and has a drilling depth capacity of up to 40,000 feet. It was constructed by Samsung Korea and is equipped to operate in pre-salt water depths and has the ability to execute parallel activities. Amaralina Star was under charter with Total Brasil from February 2019 to April 2019.

Laguna Star

Laguna Star is an ultra-deepwater drillship that commenced operations in November 2012, is designed to be capable of drilling in waters with depths of up to 10,000 feet and has a drilling depth capacity of up to 40,000 feet. It is equipped to operate in pre-salt water depths and has the ability to execute parallel activities. On July 4, 2019 Laguna Star was awarded a contract with the consortiums of Lula to be operated by Petrobras. The contract has a duration of 730 days and the work will be performed in the Santos Basin, located offshore of Brazil. Operations under the contract are expected to commence by the end of October 2019.

Brava Star

Brava Star is a dynamically positioned ultra-deepwater drillship, built by Samsung Korea, which commenced operations in August 2015. Brava Star is capable of drilling in waters with depths of up to 12,000 feet and has a drilling depth capacity of up to 40,000 feet. It is equipped to operate in pre-salt water depths. It is a latest-technology full dual-activity drilling rig with enhanced features such as a second blowout preventer and a heavy crane with compensated movement capable of deploying and retrieving subsea equipment. Brava Star is under charter with Shell Brasil until November 2019 to drill four firm wells plus options for up to an additional 810 days at the BC-10, Sul de Gato do Mato and Alto de Cabo Frio Oeste fields (offshore of Brazil). The contract was signed in July 2018 and operations commenced on March 7, 2019.

Olinda Star

Olinda Star is a semi-submersible drilling rig originally constructed in 1983 that commenced its drilling operations in August 2009. This drilling rig is capable of drilling at water depths of up to 3,600 feet and has a drilling depth capacity of up to 24,600 feet. In April 2017, Olinda Star was awarded a three-year contract with ONGC to charter and render drilling services within an offshore area in India in two oil wells. Drilling operations commenced on January 12, 2018.

Atlantic Star

Atlantic Star is a semi-submersible drilling rig originally constructed in 1976 that we acquired in 1997. This drilling rig is capable of drilling at water depths of up to 2,000 feet and has a drilling depth capacity of up to 21,320 feet. We completed an upgrade of Atlantic Star in February 2011. In April 2016, Atlantic Star was certified by the ANP to meet local content regulations, with an index of 25.6%.

Sete Brasil Rigs

In connection with the construction and operation of the Sete Rigs, three ultra-deepwater semi-submersible rigs, on August 3, 2012, Angra entered into the Sete Brasil Shareholders' Agreements with Sete International, a subsidiary of Sete Brasil, and the associate entities Urca, Bracuhy and Mangaratiba, related to the ownership, commissioning and operation of the Sete Rigs. See "—Shareholder and Joint Venture Agreements—Shareholders Agreements Related to Sete Rigs" below for more information.

FPSOs

An FPSO is a floating vessel incorporating topside hydrocarbon processing facilities as well as storage space. Typically, FPSOs are converted ships or vessels custom made for offshore production operations and will generally be designed for specific types of oil. Modern FPSO units are often equipped with a sophisticated mooring system that enables safe and reliable operations under extreme weather conditions and are usually moored over a producing field for the duration of the economic life of that field. Upon installation of an FPSO, the hydrocarbon stream (oil, gas and water) is transferred to the surface from the wellhead using subsea equipment on the sea floor that is connected to the FPSO unit through flow lines called risers. Risers carry oil, gas and water to the FPSO for processing. The processed oil is stored in the hull of the vessel and ultimately transferred to shuttle tankers for delivery to onshore facilities. The gas produced is either used onboard for power generation, offloaded for commercial use or re-injected subsurface to maintain reservoir pressure. The treated water is either disposed of at sea or re-injected into the production field.

FPSO charter agreements are also long-term, usually with a duration of 20 years or more. The terms of these charter contracts are somewhat similar to those of our drilling rig charter contracts, consisting of a charter contract and a services contract. Compensation is based on dayrates, with performance bonuses and penalties. Once in production mode, FPSOs are generally very stable, resulting in increased operational efficiency.

The following table describes the main characteristics of the FPSOs in which we have investments and participations.

FPSO	Status	% Interest	Daily Production Capacity		Storage Capacity (bbl)	Delivery Date	Charter Expiration Date	Shipyard
			Oil (bbl)	Gas (m^3)				
Capixaba	Operating	20%	100,000	3,500,000	1,600,000	May 2006 (1)	February 2022	Keppel FELS
Cidade de Paraty	Operating	20%	120,000	5,000,000	2,300,000	June 2013	April 2033	Keppel FELS & BrasFELS
Cidade de Ilhabela	Operating	12.75%	150,000	6,000,000	2,400,000	November 2014	November 2034	CSSC Guangzhou & Brasa
Cidade de Maricá	Operating	5%	150,000	6,000,000	1,600,000	February 2016	January 2036	Chengxi – CXG
Cidade de Saquarema	Operating	5%	150,000	6,000,000	1,600,000	July 2016	June 2036	Chengxi – CXG

(1) The FPSO Capixaba was built in May 2006, and we subsequently entered into a partnership with SBM Holding to acquire our interest in this FPSO.

The following table sets forth a summary of other operational data for the FPSOs in which we have investments and participations.

FPSO	Water Treatment Capacity (bpd)	Gas Compression Capacity (million m^3/day)	Gas Lift Capacity (million m^3/day)	Water Injection Capacity (bpd)
Capixaba	100,000	3.2	2.0	140,000
Cidade de Paraty	120,000	5.0	3.5	150,000
Cidade de Ilhabela	120,000	6.0	4.0	180,000
Cidade de Maricá	120,000	6.0	3.5	200,000
Cidade de Saquarema	120,000	6.0	3.5	200,000

In accordance with the RJ Plan, we are required to (i) transfer our interests in Arazi and Lancaster (which hold our interests in the FPSOs) to new, wholly-owned special purposes entities (or a similar structured entity satisfactory to the required creditors under the PSA) (the "**Arazi/Lancaster SPVs**") on or prior to August 31, 2019 and (ii) dispose of our interests in the FPSOs (the "**FPSO Disposition**") on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA) (the "**FPSO Disposition Outside Date**"). Upon any FPSO Disposition, proceeds therefrom will be applied pursuant to Section 3.11 of the Indenture. The milestones referenced in this paragraph (including the FPSO Disposition Outside Date) and the requirements and terms related to the Arazi/Lancaster SPVs and the FPSO Disposition may be amended by the required creditors under the PSA, in accordance with and pursuant to the RJ Plan and the PSA. See "Summary of the Participating Notes—FPSO Disposition," "Risk Factors—Risks Relating to our Restructuring—In

accordance with the RJ Plan, we are required to dispose of our interests in the FPSOs" and "Risk Factors—Risks Relating to our Restructuring—The definitive documents relating to the Novated Indebtedness may be modified prior to the Settlement Date with the consent of the required creditors party to the PSA."

FPSO Capixaba

Under our association with SBM Holding, we hold a 20% equity interest in Espírito do Mar, which owns the FPSO Capixaba. The FPSO Capixaba is currently operating in the Cachalote Field, off the coast of the State of Espírito Santo. The FPSO Capixaba was originally converted by Keppel FELS Shipyard and has an oil production and treatment capacity of up to 100,000 bbl and 3.5 million cubic meters of gas per day. This FPSO is currently leased to Petrobras until February 2022.

FPSO Cidade de Paraty

Through a joint venture with SBM Holding, NYK and Itochu, we hold a 20% equity interest in Tupi Nordeste S.à r.l., which owns the FPSO Cidade de Paraty. NYK and Itochu together own a 29.5% equity interest in both the charter contract and services contract with respect to this FPSO. This FPSO started production at the Lula NE Field (in the Santos Basin) in June 2013 and has a daily oil production and treatment capacity of up to 120,000 bbl and 5.0 million cubic meters of gas. The FPSO Cidade de Paraty is under a 20-year charter contract and services contract (expiring in May 2033) with Tupi B.V., a consortium led by Petrobras.

FPSO Cidade de Ilhabela

Under our joint venture with SBM Holding and Mitsubishi, we hold a 12.75% equity participation in Guará Norte S.à r.l. (the "**Ilhabela Charterer**"), which owns the FPSO Cidade de Ilhabela. FPSO Cidade de Ilhabela started production at the Sapinhoá Field (in the Santos Basin) in November 2014 and has a daily oil production and treatment capacity of up to 150,000 bbl and 6.0 million cubic meters of gas.

With respect to the FPSO Cidade de Ilhabela, we executed a 20-year charter contract, expiring in November 2034, with Guará B.V., a consortium led by Petrobras, and the corresponding services contract with Petrobras.

FPSO Cidade de Maricá

Under our joint venture with SBM Luxembourg, NYK and Mitsubishi, we hold a 5% equity participation in the Alfa Lula Alto S.à r.l. (the "**Maricá Charterer**"), which owns the FPSO Cidade de Maricá. This FPSO started production at the Lula Field (in the Santos Basin) in February 2016 and has a daily oil production and treatment capacity of up to 150,000 bbl and 6.0 million cubic meters of gas.

With respect to the FPSO Cidade de Maricá, we executed a 20-year charter contract, expiring in February 2036, with Tupi B.V., and the corresponding services contract with Petrobras.

FPSO Cidade de Saquarema

Under our joint venture with SBM Luxembourg, NYK and Mitsubishi, we hold a 5% equity participation in Beta Lula Central S.à r.l. (the "**Saquarema Charterer**"), which owns the FPSO Cidade de Saquarema. This FPSO started production at the Lula Field (in the Santos Basin) in July 2016 and has a daily oil production and treatment capacity of up to 150,000 bbl and 6.0 million cubic meters of gas.

With respect to the FPSO Cidade de Saquarema, we executed a 20-year charter contract, expiring in July 2036, with Tupi B.V., and the corresponding services contract with Petrobras.

Onshore Drilling Rigs

We commenced our onshore drilling operations in 1981 with our purchase of the QG-I and QG-II rigs. Since then, our portfolio of onshore rigs has grown to nine rigs, each of which is owned entirely by us. Our fleet of onshore rigs in Brazil is differentiated from those of other companies by its premium specifications and drilling depth capabilities. Our fleet of onshore rigs features five heli-portable rigs, of which only a limited number are operational globally, and two of the largest onshore rigs in Brazil. Given the geographic location of our onshore rigs, the concentration of Petrobras to ultra-deepwater activities and the lack of customers ready to drill onshore, our

onshore rigs are currently out of contract. However, during the current industry challenges, we have been able to enter into certain spot contracts benefiting from our strategic position. For example, our QG-I onshore rig in Paraguay entered into spot contracts with President Energy in 2014 and Amerisur in 2016. Furthermore, our QG-VIII onshore rig entered into a spot contract in the Solimões Basin with Rosneft.

As of the date of this Offering Memorandum, none of our onshore drilling fleets were under contract, except QG-VIII, which was contracted on July 4, 2019 to render drilling services for Eneva. The following table describes the main characteristics of our onshore drilling rigs:

Rig	Type	Drilling Capacity (in feet)	Delivery Date	Manufacturer
QG-I	1600HP	16,500	1981	Skytop Brewster
QG-II	1600HP	16,500	1981	Skytop Brewster
QG-III	Heli-portable; 1200HP	11,500	1987	Full Circle Enterprises
QG-IV	Heli-portable; 550HP	9,800	1996	Bournedrill Australia
QG-V	Heli-portable; 1600HP	14,800	2011	HongHua
QG-VI	2000HP	23,000	2008	HongHua
QG-VII	2000HP	23,000	2008	HongHua
QG-VIII	Heli-portable; 1600HP	14,800	2011	HongHua
QG-IX	Heli-portable; 1600HP	14,800	2011	HongHua

Queiroz Galvão I – QG-I

The QG-I is a conventional onshore diesel electric onshore rig, originally constructed by Skytop Brewster in 1980. The QG-I has a drilling depth capacity of up to 16,500 feet and is equipped with reliable equipment especially suited for remote operations, including Drawworks 1600 HP and a Top Drive.

Queiroz Galvão II – QG-II

The QG-II is a conventional onshore diesel electric rig, originally constructed by Skytop Brewster in 1980. We completed an upgrade of the QG-II in 2001 and its low-pressure mud system was completely updated in 2013. The QG-II has a drilling depth capacity of up to 16,500 feet and is equipped with modern technology, including Drawworks 1600 HP and a Top Drive.

Queiroz Galvão III – QG-III

The QG-III is one of a limited number of helicopter-fitted onshore rigs in operation globally, originally constructed by Full Circle Enterprises, Inc. in 1970. The QG-III has a drilling depth capacity of up to 11,500 feet and is equipped with robust equipment, including Drawworks 1200 HP.

Queiroz Galvão IV – QG-IV

The QG-IV is one of a limited number of helicopter-fitted onshore rigs in operation globally, originally constructed by Bournedrill Australia, Inc. in 1984. We completed upgrades on the QG-IV in 1996 and 2011. The QG-IV has a drilling depth capacity of up to 9,800 feet and is equipped with reliable equipment, including Drawworks 550 HP.

Queiroz Galvão V – QG-V

The QG-V is one of a limited number of specially engineered helicopter-fitted onshore rigs, originally constructed by HongHua Co., Ltd. ("**HongHua**"), in 2010. The QG-V has a drilling depth capacity of up to 14,800 feet and is equipped with modern technology, including Complete VFD Control System and Drawworks 1600 HP.

Queiroz Galvão VI – QG-VI

The QG-VI is a conventional onshore diesel electric rig, originally constructed by HongHua in 2008, and shares the distinction with the QG-VII of being the largest onshore rig operating in Brazil. The rig had both its high-pressure and low-pressure systems upgraded in 2013, enabling it to drill challenging wells, and in 2014 drilled the

deepest onshore well in Brazil at a depth of 19,845 feet. The QG-VI has a drilling depth capacity of up to 23,000 feet and is equipped with modern technology, including Drawworks 2000 HP and a Top Drive.

Queiroz Galvão VII – QG-VII

The QG-VII is a conventional onshore diesel electric rig, originally constructed by HongHua in 2008, and shares the distinction with the QG-VI of being the largest onshore rig operating in Brazil. The QG-VII has a drilling depth capacity of 23,000 feet and is equipped with modern technology, including Drawworks 2000 HP and a Top Drive.

Queiroz Galvão VIII – QG-VIII

The QG-VIII is one of a limited number of specially engineered helicopter-fitted onshore rigs, originally constructed by HongHua in 2010. The QG-VIII has a drilling depth capacity of up to 14,800 feet and is equipped with modern technology, including Complete VFD Control System, Drawworks 1600 HP and a Top Drive. The purpose of the agreement with Eneva, entered into on July 4, 2019, is to drill three oil wells in the Azulão Field for an expected duration of 90 days. Operations are expected to start in August 2019.

Queiroz Galvão IX – QG-IX

The QG-IX is one of a limited number of specially engineered helicopter-fitted onshore rigs, originally constructed by HongHua in 2010. The QG-IX has a drilling depth capacity of up to 14,800 feet and is equipped with modern technology, including Complete VFD Control System, Drawworks 1600 HP and a Top Drive.

Mature Assets

In December 2016, we sold the Alaskan Star unit for scrap value, in view of current market conditions. The unit had completed 22 years of continuous and successful operations. The entire delivering process of the rig and its towing plan were approved by recognized certifying organizations, in accordance with international market standards. The delivery of the unit to the purchaser occurred in January 2017.

Backlog and Drilling Contracts

As of December 31, 2018, our backlog was U.S.$126.7 million for contract drilling and U.S.$1.4 billion for FPSO services. We expect approximately U.S.$189.5 million of our total backlog to be realized in 2019 and U.S.$149.5 million in 2020. However, as described in "Summary—Our Assets—FPSOs", in accordance with the RJ Plan, we are required to consummate the FPSO Disposition on or prior to October 31, 2019 (subject to any standstill period or extension as may be agreed to by the required creditors, in each case, pursuant to the PSA).

Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential rig performance bonuses, when applicable, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors. Factors include, but are not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions. However, our offshore rigs benefit from contracts that may be renewed for a period equivalent to the original contract term (subject to mutual consent of the parties), with the exception of our Atlantic Star and Olinda Star rigs. Nevertheless, all of our contracts are subject to renewal through negotiation among the parties.

Our FPSO backlog is calculated for each FPSO by multiplying our percentage interest in the FPSO by the contracted operating dayrate by the firm contract period, in each case with respect to such FPSO. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated. See "Risk Factors—Risks Relating to our Company—Our customers may seek to renegotiate or terminate certain of our drilling contracts if we experience excessive delivery and acceptance delays for our assets, downtime, operational difficulties or safety-related issues, or in case of non-compliance with our obligations

set forth in the drilling contracts, which would materially adversely affect our ability to realize our backlog of contract revenue."

The following table sets forth as of the year ended December 31, 2018, the amount of our contract drilling and FPSO services backlog related to contracted existing and new projects for the periods indicated.

	2019	%	2020	%	2021	%	2022 –2036	%	Total	Total %
					(*in millions of U.S.$, except for percentages*)*(1)*					
Ultra-deepwater(2)	40.4	21.3%	—	—	—	—	—	—	40.4	2.7%
Deepwater	42.4	22.4%	42.6	28.5%	1.3	1.2%	—	—	86.3	5.7%
Midwater	—	—	—	—	—	—	—	—	—	—
FPSOs(3)(4)	106.6	56.3%	106.9	71.5%	106.6	98.8%	1,064.7	100.0%	1,384.8	91.6%
Onshore	—	—	—	—	—	—	—	—	—	—
Total	**189.5**	**100.0%**	**149.5**	**100.0%**	**107.9**	**100.0%**	**1,064.7**	**100.0%**	**1,511.5**	**100.0%**

(1) Amounts denominated in *reais* have been converted to U.S. dollars at the selling rate as reported by the Central Bank at December 31, 2018 for *reais* into U.S. dollars of R$3.8748 to U.S.$1.00. As of June 30, 2019, the exchange rate of *reais* to U.S. dollars was R$3.8322 to U.S.$1.00, as reported by the Central Bank.

(2) This includes U.S.$29.7 million from the Brava Star drillship, U.S.$6.8 million from the Laguna Star drillship and U.S.$3.8 million from the Amaralina Star drillship.

(3) This includes U.S.$1,384.8 million from our interest in joint ventures with SBM Holding related to our investments in FPSOs, including U.S.$63.5 million from our 20.0% interest in FPSO Capixaba, U.S.$512.8 million from our 20.0% interest in FPSO Cidade de Paraty, U.S.$428.9 million from our 12.75% interest in FPSO Cidade de Ilhabela, and U.S.$189.1 million and U.S.$190.6 million from our 5.0% interest in two joint ventures with SBM Luxembourg related to our investments in FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively.

(4) This includes only our portion of contracts in proportion to our ownership interest in FPSOs.

The above backlog is based upon dayrates as of December 31, 2018 and on the assumption that we will obtain the full performance under all of our charter and service contracts. In addition, the above excludes the effects of inflation.

Our contract terms and rates may vary depending on competitive conditions, the geographical area to be drilled, equipment and services to be supplied, on-site drilling conditions and anticipated duration of the work to be performed. Oil and gas drilling contracts are performed on a dayrate, footage or turnkey basis. Currently, all of our drilling services contracts are performed on a dayrate basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Revenue per Asset, Utilization, Uptime and Dayrates of Our Drilling Rigs."

Contract Bidding

We contract our drilling rigs through (1) project biddings, (2) invitations for proposals or (3) direct negotiation with clients.

Agreements to supply products and services to Petrobras are subject to bidding processes pursuant to the rules of the Brazilian Petroleum Law and Decree No. 2,745, of August 24, 1998 ("**Decree No. 2,745**"). Petrobras has its proprietary registration system for potential domestic and international suppliers, the CRCC, on which we update our financial, legal and technical data annually in order to remain qualified. Based on the list of registered and qualified suppliers or recommendations made by special commissions that establish rigorous technical requirements, Petrobras pre-selects the companies that will be invited to bid as suppliers. These invitations may be limited to the domestic suppliers or worldwide. The invitation is then sent through the same registration system, where Petrobras provides all of the requirements and technical specifications of the project. During the analysis process, bidders may send questions regarding the bid. Petrobras is required to answer all of the questions posed before the bid due date, with all the questions and answers available to all. Upon submission of a bid, Petrobras analyzes the bidder's proposed price. Petrobras has been granted the flexibility under Decree No. 2,745 to evaluate each bid based upon the technical requirements of each project.

As of June 2018, Petrobras is required to contract through the rules established in Law No. 13,303/16 (the new "**State-Owned Companies Law**"). In general, the new State-Owned Companies Law aims to simplify the process of hiring and entering into partnerships by state-owned companies that sell goods or provide services by reducing certain formalities required under previous laws, as well as enhancing the corporate governance of such companies.

With respect to public hiring, the new State-Owned Companies Law provides that each state-owned company should contract in a manner that is most economically efficient. However, the new State-Owned Companies Law also creates and enforces transparency and compliance mechanisms by such companies, aiming to neutralize political influence and unjustified business decisions. Among other changes, the State-Owned Companies Law added new waiver situations in bidding proceedings and made it clear that contracts subject to its provisions are regulated by private law, preventing state-owned companies from making unilateral changes in such contracts. The State-Owned Companies Law also aims to improve corporate governance of such companies, requiring the creation of statutory committees responsible for the appointment and supervision of officers and directors, as well as monitoring the financial aspects of such companies.

The changes imposed by the new State-Owned Companies Law do not apply to existing contracts with Petrobras.

Invitation for Proposals

Petrobras may contract drilling rigs by means of domestic or international invitations for proposals. The qualification of a company permitted to submit a proposal may be determined either by selection among companies that have previously registered with Petrobras as service providers or by special commissions that meet rigorous technical requirements. Proposals are generally evaluated based upon technical specifications and price. The rules governing each invitation for proposals vary, and Petrobras is granted the authority to define the weight given to each criterion under any invitation for proposals.

Other operators have similar systems by which suppliers present their proposals or register themselves as potential suppliers. In addition to the use of registration systems for suppliers, the Constellation Group has also completed several pre-qualification questionnaires to become qualified as a bidder for other identified opportunities.

When an operator or consortium of operators do not have specific systems to manage the bidding process, it is common for the operator or consortium of operators to use e-mail for the distribution of documentation regarding the requirements and technical specifications of the project and to manage the question and answer process. The proposal package may be delivered via physical mail or e-mail. Generally, the instructions and specific details of the opportunity are set forth in the invitation letter and other documents relevant to the bidding process.

When contracted through a consortium, our drilling rigs may only drill in wells located within the common property of the consortium. The contracting of a drilling rig through a consortium is flexible and generally results from free negotiation, with the decision to contract the drilling rig generally resting with the operator of the block.

Direct Negotiations

We may also contract our drilling rigs through direct negotiation with our clients. In direct negotiations, contractual and technical terms are negotiated by both parties in order to reach mutual agreement on the client's established requirements. This direct negotiation process is generally used in situations where unique or urgent solutions are required. The direct negotiation process usually occurs between parties that have already worked together on previous projects.

Drilling and FPSO Contracts

Term and purpose

Upon entering into an offshore drilling rig charter agreement through the applicable subsidiary, the Constellation Group enters into a corresponding offshore drilling rig offshore services agreement. The offshore charter agreements set forth the terms for the drilling, assessment, completion and workover of wells of oil and/or natural gas, while the corresponding offshore services agreements establish the terms under which the Constellation Group will provide services to our customers related to the operation of the chartered offshore drilling rigs. Our offshore charter agreements and services agreements may be subject to well-in-progress clauses, meaning that, if on the last day of the pre-defined contractual period the ongoing well still demands work from the rig, then the period will be automatically extended until the completion of the work. The contract term begins when the contractor issues a final acceptance certificate, after the equipment tests. The end of a contract is achieved when the rig arrives

at the port after completing its drilling assignment. The terms of the contracts may be renewable for an equal period by mutual consent of the parties.

We are currently involved in five FPSO projects: FPSO Capixaba, FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, FPSO Cidade de Maricá and FPSO Cidade de Saquarema.

The FPSO charter agreements set forth the terms for the production (which includes oil, gas and water separation, water treatment/reinjection and gas compression), oil storage and offloading services. The corresponding FPSO services agreements establish the terms under which we will provide the corresponding services to our customers. For more information regarding our FPSO projects, see "—Results of Operations of Investments—FPSOs."

FPSO Capixaba is operating under a 12-year charter agreement (effective May 2010) with Petrobras, renewable for another three years, with a corresponding services agreement with Petrobras having an identical term. With respect to the FPSO Cidade de Paraty, we have entered into a 20-year charter agreement with Tupi B.V., a consortium formed by Petrobras, BG and Galp, and a corresponding services agreement with Petrobras. With respect to the FPSO Cidade de Ilhabela, we entered into a 20-year charter agreement with Guará B.V., a consortium formed by Petrobras, BG and Repsol, and a corresponding services agreement with Petrobras.

With respect to each of FPSO Cidade de Maricá and FPSO Cidade de Saquarema, we have entered into a 20-year charter agreement with Tupi B.V., a consortium formed by Petrobras, BG and Galp, and corresponding services agreement with Petrobras.

Liability and other terms

Pursuant to our charter agreements and the corresponding services agreements, the contractual liability of our subsidiaries and the Constellation Group for losses and damages is limited to direct damages (excluding lost profits and indirect damages). Contractual liability for direct damages does not include possible liabilities towards third parties or government authorities.

Our subsidiaries are also liable for environmental damages caused by oil spills, oil waste or other discharges into the ocean, with a right of recourse against any other party responsible or involved. All drilling and FPSO agreements have provisions that limit our liability for environmental damages providing specifically that our customers must indemnify us for losses, which may exceed specified amounts. The parties to an agreement may settle on limiting the environmental liabilities, however, a contractual provision among private parties will not affect the results of a public civil action discussing environmental damages. In the same vein, private parties are also able to contractually allocate the civil environmental liability, however, such contractual provision will not affect their liability vis-à-vis the public parties that are legally entitled to investigate environmental damages. Our customers are held harmless from any claims raised against them as a result of our actions or omissions. See "—Environmental and Other Regulatory Issues."

Our subsidiaries party to our charter agreements and corresponding services agreements are not liable for losses, damages or harms caused by kicks, blowouts, surges or formation tests.

In addition to any fines that may be imposed by law, our customers may impose penalties on the Constellation Group in certain cases, including, but not limited to, continuous poor performance. Under Petrobras' contracts, the providers of drilling services and the charter company are jointly liable for liabilities and/or payments.

Termination

Our customers may terminate the charter or services agreements (with no obligation to compensate or indemnify our subsidiaries for their termination) upon the occurrence of certain events, including, among others, (1) certain compliance breaches by our subsidiaries with contractual clauses, specifications or timeframes, (2) bankruptcy, dissolution, or change of our subsidiaries' corporate purpose or structure, which at our customer's discretion may adversely affect the performance of the charter or service agreement, (3) exclusively in relation to the agreements executed with Petrobras, interruption of the charter without cause or prior notice to Petrobras, (4) repeated performance failure, such that the aggregate amount of default penalties has reached a certain percentage (depending on the contract) of the global contract amount, (5) suspension of the charter for a set number of

consecutive days as determined by competent authorities, as a result of causes attributable to the chartering and servicing subsidiaries, or (6) the occurrence of a *force majeure* event causing the performance of the agreements to be impossible.

Maintenance Services Agreement

In connection with the maintenance and repair of its rigs, the Constellation Group and Constellation Services Ltd. ("**Constellation Services**") on behalf of the rig owners entered into a maintenance services agreement on April 11, 2014, (the "**Maintenance Services Agreement**"). Under the Maintenance Services Agreement, the Constellation Group and Constellation Services set forth certain duties and terms and conditions for the maintenance and conservation of the rigs. Specifically, the Constellation Group agreed to manage, be technically responsible for and/or perform the activities and works of maintenance necessary to maintain and preserve the rigs and all parts, components and equipment. The rigs originally covered by the Maintenance Services Agreement were Alaskan Star, Atlantic Star, Olinda Star, Gold Star, Lone Star, Alpha Star, Amaralina Star and Laguna Star. The Maintenance Services Agreement has been amended from time to time and currently also includes maintenance of Brava Star, and no longer includes maintenance of Alaskan Star.

Supply and Subcontractor Agreements

We are party to supply and subcontractor agreements that support our contractual obligations with our customers and our business activities, including engineering services, project design, evaluation of technical, economic and environmental viability and construction, drilling and maintenance services. In the aggregate, these agreements are relevant to our business principally through the construction of our drilling and FPSO units given that when a unit is operational, we are responsible for its maintenance, and the concessionaire of the applicable concession block bears a significant portion of the operating costs in respect of the rig, including supply vessels, transportation, fuel and other general supplies. Most of these subcontractor agreements are related to the prior construction or upgrade of our drilling and FPSO units.

Shareholder and Joint Venture Agreements

Shareholders Agreements Related to Sete Rigs

In connection with the construction and operation of three ultra-deepwater semi-submersible rigs (Urca, Bracuhy and Mangaratiba), on August 3, 2012, Angra entered into the Sete Brasil Shareholders' Agreements, with Sete International and certain joint venture companies, related to the ownership, commissioning and operation of the Urca, Bracuhy and Mangaratiba rigs. Pursuant to the Sete Brasil Shareholders' Agreements, Sete International has the right to exercise a call option for the purchase of Angra's shares in any joint venture company upon the occurrence of certain events, such as a material breach by Angra under any shareholder agreement, a change of control event in Angra or a deadlock event. In addition, Angra has the right to exercise a put option to sell its shares in any joint venture company to Sete International upon the occurrence of certain events, such as a material breach by Sete International under any shareholder agreement, a change of control event in Sete International, if the rig is sold to a third party, or if one of our competitors acquires a ten percent or bigger participating interest in Sete or has access to confidential information of our companies.

On December 17, 2015, our subsidiary, Angra exercised a put option pursuant to the Sete Brasil Shareholders' Agreements whereby it formalized its intention to sell its ownership interests in the associate entities, Urca, Bracuhy and Mangaratiba, which own the Sete Rigs, by transferring its shares in these associate entities to Sete International in accordance with the Shareholders' Agreement. On March 23, 2016, Angra, following the proceedings agreed under the Sete Brasil Shareholders' Agreements, called a binding arbitration in order to enforce its put option rights. For more information, see "Business—Legal Proceedings—Civil."

Shareholders Agreements Related to Amaralina Star and Laguna Star

In connection with the construction and operation of the Amaralina Star and Laguna Star, on June 24, 2010, Constellation Overseas entered into two substantially similar shareholders agreements with Alperton related to the ownership, commissioning and operation of the Amaralina Star and Laguna Star (the "**Amaralina/Laguna Shareholders Agreements**").

Under the Amaralina/Laguna Shareholders Agreements, Constellation Overseas and Alperton have incorporated Amaralina Star Ltd. and Laguna Star Ltd. Initially, each of Amaralina Star Ltd. and Laguna Star Ltd. was 55% owned by Constellation Overseas and 45% owned by Alperton. As a result of the transfer of Alperton's stake in Amaralina Star Ltd. and Laguna Star Ltd. in September 2018 to Constellation Overseas, pursuant to the Amaralina/Laguna Shareholders' Agreements, we indirectly hold a 100% interest in these drillships. Such ownership is subject to an ongoing Alperton dispute. For additional information, see "Recent Developments—Alperton Dispute."

Alperton was formed for the sole purpose of participating in the SPVs that own Amaralina Star and Laguna Star. Amaralina Star Ltd. and Laguna Star Ltd. are each borrowers under the U.S.$943.9 million credit facility entered into in order to finance the construction of Amaralina Star and Laguna Star. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness." In connection with the Amaralina/Laguna Shareholders' Agreements, we made a loan of U.S.$130.6 million to Alperton. See "Certain Relationships and Related Party Transactions." Until this loan is repaid, we will receive 100% of the charter revenues from the charter contract with Petrobras.

Under the Amaralina/Laguna Shareholders' Agreements, Delba assigned each charter contract related to the Amaralina Star and Laguna Star drillships to certain wholly-owned subsidiaries of Amaralina Star Ltd. and Laguna Star Ltd. Each services agreement related to Amaralina Star and Laguna Star has been assigned to the Constellation Group. Petrobras has acknowledged and approved these assignments. The Amaralina/Laguna Shareholders Agreements also confirmed the novation of contracts with the builder of the drillships in respect of the engineering, procurement and construction of Amaralina Star and Laguna Star by Amaralina Star Ltd. and Laguna Star Ltd., respectively.

The Amaralina/Laguna Shareholders Agreements set forth certain circumstances under which Constellation Overseas and Alperton may be subject to cash calls, which may be funded in the form of subordinated loans, to the extent that the total expenditure requirements for this project exceed cash available from the financing of this project. Further, pursuant to the Amaralina/Laguna Shareholders Agreements, Constellation Overseas and Alperton have agreed to certain provisions with respect to the appointment, operation, duties and other actions of the Board of Directors and management of Amaralina Star Ltd. and Laguna Star Ltd. and the rights of the shareholders in such entities. The Amaralina/Laguna Shareholders Agreements also provide that the shares in Amaralina Star Ltd. and Laguna Star Ltd. are subject to restrictions on transfer.

Shareholders Agreement Related to FPSO Capixaba

In connection with the construction and operation of the FPSO Capixaba, on March 16, 2007, the Constellation Group entered into a shareholders agreement with SBM Holding and Star International, our indirect subsidiary, relating to the operation of joint venture companies for the ownership, commission and operation of the FPSO Capixaba (the "**Capixaba Shareholders Agreement**").

In connection with the entry into the Capixaba Shareholders Agreement, SBM Holding agreed to sell to Star International (1) 20% of the outstanding shares of Espírito do Mar, an affiliate of SBM Holding that owns the FPSO Capixaba and (2) 20% of the outstanding shares of Capixaba Venture, an affiliate of SBM Holding for the purpose of holding the shares of SBM Capixaba Operações Marítimas Ltda. ("**SBM Capixaba Operações**"). SBM Capixaba Operações has entered into a services agreement with Petrobras setting forth the terms and conditions for the provision of services, including receiving, processing, storing and offloading oil aboard the FPSO Capixaba. The Capixaba Shareholders Agreement was amended on November 19, 2009.

On July 18, 2011, the Constellation Group, SBM Holding, Star International and Arazi, our indirect subsidiary, entered into share sale agreements pursuant to which Star International transferred its interest in Espírito do Mar and Capixaba Venture to Arazi, and concurrently entered into a novation and amendment to the Capixaba Shareholders' Agreement. As a result, SBM Holding and Arazi own 80% and 20%, respectively, of each of Espírito do Mar and Capixaba Venture.

Arazi and SBM Holding have agreed to certain provisions with respect to the appointment, operation, duties and other actions of the Board of Directors and management of Espírito do Mar and Capixaba Venture and the rights of the shareholders in such entities. The Capixaba Shareholders Agreement also provides that the shares in Espírito do Mar and Capixaba Venture are subject to restrictions on transfer.

The due and punctual observation and performance by Arazi of all of its obligations to SBM Holding under the Capixaba Shareholders Agreement is fully and unconditionally guaranteed by the Constellation Group.

Shareholders Agreement Related to FPSO Cidade de Ilhabela

In connection with the construction and operation of the FPSO Cidade de Ilhabela, on March 20, 2012, Arazi, our indirect subsidiary, entered into a shareholders agreement with SBM Holding, Mitsubishi and our indirect subsidiary, Lancaster, relating to the operation of joint venture companies for the ownership, commission and operation of the FPSO Cidade de Ilhabela (the "**Ilhabela Shareholders Agreement**").

Under the Ilhabela Shareholders Agreement, Arazi, SBM Holding, Mitsubishi and Lancaster have incorporated the following joint venture companies: Ilhabela Charterer, Guara-Norte Operações Marítimas Limitada ("**Ilhabela Operator**"), and Guara Norte Holding Ltd. ("**Ilhabela Holding**"), which holds the shares of Ilhabela Operator. In connection with entering into the Ilhabela Shareholders Agreement, shares in each of Ilhabela Charterer and Ilhabela Holding were sold pursuant to share sale agreements to certain of the parties to the Ilhabela Shareholders Agreement resulting in Ilhabela Charterer being owned 62.25% by SBM Holding, 25.00% by Mitsubishi and 12.75% by Arazi, and Ilhabela Holding being owned 62.25% by SBM Holding, 25.00% by Mitsubishi and 12.75% by Lancaster.

Pursuant to the Ilhabela Shareholders Agreement, Arazi, SBM Holding, Mitsubishi and Lancaster have agreed to certain provisions with respect to the appointment, operation, duties and other actions of the Board of Directors and management of Ilhabela Charterer, Ilhabela Operator and Ilhabela Holding and the rights of the shareholders in such entities. The Ilhabela Shareholders Agreement also provides that the shares in Ilhabela Charterer, Ilhabela Operator and Ilhabela Holding are subject to restrictions on transfer.

On August 1, 2012, Ilhabela Charterer entered into a limited recourse project loan facility with various lenders in an aggregate principal amount of U.S.$1.05 billion in order to finance the construction of FPSO Cidade de Ilhabela, which started production in November 2014. This facility was structured to allow additional banks to join the facility up to a maximum aggregate principal amount of U.S.$1.2 billion on a *pari passu* basis. This project loan facility is amortizing and will mature in February 2025. Ilhabela Charterer entered into an interest rate swap agreement in order to swap into a fixed interest rate over the life of the loan. This loan will be accounted for pursuant to the equity method. In March 2013, the Bank of China and DNB provided additional financings of U.S.$115.0 million and in April 2013, Clifford Capital provided U.S.$35.0 million of additional financing.

Shareholders' Agreement Related to FPSO Cidade de Paraty

In connection with the construction and operation of the FPSO Cidade de Paraty, on June 30, 2011, we, through our indirect subsidiary, Lancaster, together with SBM Holding and Tupi Nordeste Japan Ltd. (a joint venture of Itochu and NYK) (the "**Japan Tupi joint venture**"), entered into a shareholders' agreement, relating to the operation of joint venture companies for the ownership and operation of the FPSO Cidade de Paraty (the "**Original Paraty Shareholders' Agreement**"). Under the Original Paraty Shareholders Agreement, SBM Holding and the Japan Tupi joint venture incorporated the following joint venture companies: Tupi Nordeste Ltd ("**Paraty Original Charterer**"), Tupi Nordeste Operações Marítimas Limitada ("**Paraty Operator**"), and Tupi Nordeste Holding Ltd. ("**Paraty Holding**"), which held the shares of Paraty Operator. In connection with entering into the Original Paraty Shareholders Agreement, shares in each of Paraty Original Charterer and Paraty Holding were sold pursuant to share sale agreements to certain of the parties to the Paraty Original Shareholders Agreement resulting in Paraty Original Charterer and Paraty Holding being owned 50.5% by SBM Holding, 29.5% by Japan Tupi joint venture and 20% by Lancaster.

On April 26, 2012, the Original Paraty Shareholders' Agreement was replaced by a new shareholders agreement (the "**Current Paraty Shareholders' Agreement**"). The Current Paraty Shareholders' Agreement was entered into among Lancaster, SBM Holding, the Japan Tupi joint venture, Lula Nordeste Japan S.à r.l. ("**Lula**"), and Arazi. Under the Current Paraty Shareholders' Agreement, Arazi, SBM Holding and Lula incorporated Tupi Nordeste S.à r.l, as the Paraty New Charterer. In connection with the Current Paraty Shareholders' Agreement, shares in the Paraty New Charterer were sold pursuant to share sale agreements to certain of the parties of the Current Paraty Shareholders' Agreement resulting in the new charterer being owned 50.5% by SBM Holding, 29.5% by Lula and 20% by Arazi.

Pursuant to the Current Paraty Shareholders Agreement, Arazi, SBM Holding, Lula and Lancaster have agreed to certain provisions with respect to the appointment, operation, duties and other actions of the Board of Directors and management of the Tupi Nordeste S.à r.l, Tupi Nordeste Operator and Tupi Nordeste Holding and the rights of the shareholders in such entities. The Current Paraty Shareholders Agreement also provides that the shares in Tupi Nordeste S.à r.l, Tupi Nordeste Operator and Tupi Nordeste Holding are subject to restrictions on transfer.

Shareholders' Agreements Related to FPSO Cidade de Maricá and FPSO Cidade de Saquarema

In connection with the construction and operation of the FPSO Cidade de Maricá and FPSO Cidade de Saquarema, on July 8, 2013, Arazi and Lancaster, our indirect subsidiaries, entered into shareholders' agreements with SBM Luxembourg, Japan Alfa Lula Alto S.à r.l.(a joint venture between Mitsubishi and NYK), Japan Alfa Lula Alto Holding Ltd. (a joint venture between Mitsubishi and NYK), Japan Beta Lula Central S.à r.l. (a joint venture between Mitsubishi and NYK) and Japan Beta Lula Central Holding Ltd. (a joint venture between Mitsubishi and NYK), relating to the operation of joint venture companies for the ownership, commissioning and operation of the FPSO Cidade de Maricá (the "**Maricá Shareholders' Agreement**"), and FPSO Cidade de Saquarema (the "**Saquarema Shareholders' Agreement**").

Under the Maricá Shareholders' Agreement, Arazi, Lancaster, SBM Luxembourg, Japan Alfa Lula Alto S.à r.l. and Japan Alfa Lula Alto Holding Ltd. have incorporated the following joint venture companies: Maricá Charterer, Alfa Lula Alto Operações Marítimas Limitada (the "**Maricá Operator**"), and Alfa Lula Alto Holding Ltd. ("**Maricá Holding**"), which holds the shares of Maricá Operator. In connection with entering into the Maricá Shareholders' Agreement, shares in each of Maricá Charterer and Maricá Holding were sold pursuant to share sale agreements to certain of the parties to the Maricá Shareholders Agreement resulting in the Maricá Charterer being owned 56.0% by SBM Luxembourg, 39.0% by Japan Alfa Lula Alto S.à r.l. and 5% by Arazi, and Maricá Holding being owned 56.0% by SBM Luxembourg, 39.0% by Japan Alfa Lula Alto S.à r.l. and 5% by Arazi.

Under the Saquarema Shareholders Agreement, Arazi, Lancaster, SBM Luxembourg, Japan Beta Lula Central S.à r.l. and Japan Beta Lula Central Holding Ltd. have incorporated the following joint venture companies: Saquarema Charterer, Beta Lula Central Operações Marítimas Limitada (the "**Saquarema Operator**"), and Beta Lula Central Holding Ltd. ("**Saquarema Holding**"), which holds the shares of the Saquarema Operator. In connection with entering into the Saquarema Shareholders' Agreement, shares in each of Saquarema Charterer and Saquarema Holding were sold pursuant to share sale agreements to certain of the parties to the Saquarema Shareholders Agreement resulting in the Saquarema Charterer being owned 56.0% by SBM Luxembourg, 39% by Japan Beta Lula Central S.à r.l and 5% by Arazi, and Saquarema Holding being owned 56.0% by SBM Luxembourg, 39% by Japan Beta Lula Central Holding Ltd and 5% by Lancaster.

Pursuant to each of the Maricá Shareholders Agreement and Saquarema Shareholders Agreement, Arazi, Lancaster, SBM Luxembourg, Japan Alfa Lula Alto S.à r.l, Japan Alfa Lula Alto Holding Ltd, Japan Beta Lula Central S.à r.l, and Japan Beta Lula Central Holding Ltd. have agreed to certain provisions with respect to the appointment, operation, duties and other actions of the Board of Directors and management of Maricá and Saquarema Charterer, Maricá and Saquarema Operator and Maricá and Saquarema Holding and the rights of the shareholders in such entities. Each of the Maricá and Saquarema Shareholders Agreement also provides that the shares in respective charterer, operator holding company are subject to restrictions on transfer.

On July 28, 2014, Maricá Charterer entered into a limited recourse project loan facility with various lenders in an aggregate principal amount of U.S.$1.45 billion in order to finance the construction of FPSO Cidade de Maricá, which started production in February 2016. This project loan facility is amortizing and divided in two tranches. Tranche A will mature in February 2028 and Tranche B will mature in February 2030. The Maricá Charterer entered into an interest rate swap agreement in order to swap into a fixed interest rate over the life of the loan. This loan will be accounted for pursuant to the equity method.

On July 27, 2015, Saquarema Charterer entered into a project financing agreement with a consortium of banks in an aggregate principal amount of U.S.$1.55 billion in order to finance the construction of the FPSO Cidade de Saquarema, which started production on July 2016. The facility is composed of three separate tranches.

Seasonality

In general, seasonal factors do not have a significant direct effect on our offshore business, including our offshore drilling rigs and FPSOs. Although our onshore rigs may be contracted for shorter periods, we do not believe there are seasonal factors having a direct effect on our onshore business.

Insurance

Our most relevant insurance policies against hazards inherent to our business consist of: (1) our Hull & Machinery policy covering physical damage, including removal of wrecks, wreckage or debris, general average losses, salvage and salvage charges, collision liabilities, sue and labor expenses and war and related risks; and (2) our P&I policy, covering liabilities relating to pollution (except for situations where E&P operators are responsible, as per charter and services agreements), third parties and crew, collisions not covered by our Hull & Machinery policy and removal of wrecks and debris in excess of the coverage by our Hull & Machinery policy. Under our Hull & Machinery policy, we are currently insured for a total sum of U.S.$1.3 billion, while under our P&I policy we are insured for a total sum of U.S.$1.7 billion. We believe that our insurance coverage is customary for the industry and adequate for our business.

Given our conservative risk management and high safety standards, we seek to reduce our insurance costs and we believe our risk rating is among the lowest in our industry.

Customers and Marketing

Offshore E&P is a capital-intensive industry. Operating in deepwater basins significantly increases the amount of capital required to effectively conduct such operations as compared to onshore E&P. As a result, a significant number of the most active participants in the deepwater segment of the offshore E&P industry are either state-owned oil and gas companies or well-capitalized large independent oil and gas companies. Our recent customers include Petrobras, Karoon, Total Brasil, ONGC, Enauta and Shell Brasil. As of December 31, 2018, Petrobras accounted for approximately 91% of our gross revenues. We expect that our future customers will continue to be well-capitalized companies, including state-owned oil and gas companies, major integrated oil and gas companies and large independent E&P companies.

Our marketing efforts are centered on building our relationship with key domestic and international players in the oil and gas drilling industry, such as Petrobras, Total, ExxonMobil, Chevron, Shell BP, Anadarko, and others, in order to understand and correctly anticipate demand for our services and strategically position ourselves to participate in future opportunities to expand our business or extend current contracts in Brazil and internationally. An important result of our marketing and operational efforts is award of new contracts with important operators in Brazil in a period of increased competition due to the market downturn.

Intellectual Property

We have registered the domain name http://theconstellation.com with InterNIC (Internet's Network Information Center), part of ICANN (Internet Corporation for Assigned Names and Numbers organization). We do not own any other intellectual property the absence of which could materially adversely affect our business.

Employees

Our human capital is a critical component of our business. Attracting, retaining and motivating skilled employees are a key factor in our ability to grow our revenues and meet customer expectations. As of December 31, 2018, we had a total of 1,161 employees working across eleven sites, six of which are located in Brazil, and others in Panama, United Kingdom, India, United States and the Netherlands.

We employ skilled personnel to operate and provide technical services to, and support for, our rigs. We have low turnover levels among the crew and key officers of our drilling units, which is an important factor in achieving high levels of uptime of our rigs and which is especially critical in the highly competitive skilled-personnel labor market in Brazil. We employ an ongoing, robust training program for all of our employees, which promotes, among other factors, superior safety and compliance practices. We use this program to regularly promote people from

within our organization into more senior positions. All of our employees benefit from a pension plan, medical and dental plans, life insurance and an incentive plan.

We believe we have a good relationship with the unions that represent our employees. In the past five years, we have not experienced any strikes, demonstrations or business interruptions.

In addition, according to Brazilian employment and labor laws, our sites may be audited at any time by the Ministry of Labor and Employment and by other governmental authorities, whose auditors can interrupt our activities in the event of breach of certain health and safety work environment rules that implies risk to employees' lives.

As of December 31, 2018, 87% of our employees are represented by the Brazilian Offshore Workers Union (*Sindicato dos Trabalhadores Offshore do Brasil*) and 5% are represented by FTIEAM (*Federação dos Trabalhadores nas Indústrias do Estado do Amazonas*). We are defendants in labor claims requesting compensation due to work-related accidents and occupational diseases, see "—Legal Proceedings."

Competition

The global oil and gas services industry is highly competitive. We currently face competition in offshore drilling from competitors such as Seadrill Ltd., Transocean Ltd, Diamond Offshore Drilling, Inc., Ensco plc, Noble Corp. and Ocyan S.A. Demand for contract drilling and related services is influenced by a number of factors, including the current and expected prices of oil and gas and the expenditures of oil and gas companies on exploration and development activities. In addition, demand for drilling and related services remains dependent on a variety of political and economic factors beyond our control, including worldwide prices and demand for oil and gas, the ability of OPEC to set and maintain production levels and pricing, the level of production of non-OPEC countries and the policies of the various governments regarding exploration and development of their oil and gas reserves, expenditure plans of oil and gas companies, among other factors.

We believe we are competitive in terms of pricing, performance, equipment, safety and availability of experienced, skilled personnel. In addition, industry-wide shortages of supplies, services, skilled personnel and equipment necessary to conduct our customers' businesses can occur. Competition for offshore rigs is usually on a global basis, as these rigs are mobile and may be transported at a cost that can be substantial, from one region to another in response to demand. Our largest competitors in the drilling industry have more diverse fleets and may have greater financial resources than we do, which may better enable them to withstand periods of low utilization, compete more effectively on the basis of price, build new rigs or acquire existing rigs.

Brazilian Regulatory Framework

The Brazilian oil and gas regulatory framework

Brazilian Federal Law No. 2,003/1954 initially established the federal government's monopoly over all activities relating to the research, exploration, production, refining and transportation of oil and its sub-products. On November 9, 1995, the Brazilian Congress approved the reform of the oil and gas regulatory system by enacting the ninth Constitutional Amendment to allow the federal government to contract private or state-owned companies to carry out oil and gas upstream and downstream activities in Brazil.

The regulatory framework was defined by the 1997 Oil and Gas Law, which established a concession regime and created the ANP, responsible for the regulation of the oil and gas industry in Brazil. The ANP's responsibilities include the granting of oil and gas exploration concessions, by means of a competitive bidding process. The ANP has carried out 15 bidding rounds for exploration blocks since 1999 under the concession regime.

In addition, the exploration of pre-salt reservoirs was specifically regulated in 2010 by Law No. 12,351/10, which established a production sharing regime for E&P activities in the pre-salt areas and in other areas deemed strategic. This differs from the conventional concession regime, in which the concessionaire is granted ownership over the total output in exchange for royalty payments to the grantor of the concession, and other governmental participations. In a typical production sharing regime, private companies are contracted by the government to explore and produce hydrocarbons in exchange for a stake in the output, in addition to reimbursement for investments made and costs incurred in connection with such E&P. Federal Law No. 12,304/2010 also created a

100% state-owned company, Empresa Brasileira de Administração de Petróleo e Gás Natural SA – Pré-sal Petróleo SA ("**PPSA**"), to represent the Brazilian Federal Government in the consortium to be awarded the rights to explore and develop blocks within the pre-salt area. PPSA does not perform upstream oil and gas activities and does not engage in investments, but has very important roles, such as management, audit and supervision of oil and gas activities performed under the PSC regime, as well as the negotiation of unitization involving unlicensed acreage. As PPSA seats in the operating committee of such Pre-salt consortiums and has 50% of the voting power, PPSA can influence the contracting of services as per the consortium rules.

In the first half of 2014, the ANP conducted the first Bidding Round for a pre-salt area, entering into a production sharing contract with a consortium composed of Petrobras, as operator, Shell, Total, CNPC and CNOOC for E&P in the Libra Prospect. Since then, the ANP has conducted four other pre-salt rounds, awarding 13 areas in total. Together, the fourth and fifth production-sharing bidding rounds that took place in June and September 2018 amounted to nearly R$10 billion reais in signature bonuses.

In 2010, Law No. 12,276/10 regulated another regime, known as onerous assignment regime, by which Petrobras is allowed to attract new investors and to keep the Federal Government as the main shareholder, holding at least 50% of the voting shares. The law authorized the government to sign the Onerous Assignment Agreement with Petrobras, giving the state-owned company the right to explore and to produce up to five billion barrels' equivalent of crude oil in the pre-salt areas of Atapu, Buzios, Itapu and Sépia. The Federal Government's estimate, however, is that the areas could yield another six billion barrels. For this reason, the government will bid the rights to explore the exceeding volumes under the Production Sharing regime in the largest bid round to date, expected to take place on October 28, 2019, with a positive forecast of nearly U.S.$100 billion reais in government takes.

Our customers hold E&P rights granted by the ANP, and we are indirectly subject to the regulations that affect them. Certain requirements are established by the ANP at the time the block is awarded, such as requirements that a minimum percentage of rig construction costs are allocated to Brazilian suppliers and that a minimum percentage of the rig crew is comprised of Brazilian citizens.

Minimum local content

The share of national industry participation in supplying goods and services for a specific project is called local content. Since 2003, the Brazilian federal government has been implementing a policy of imposing minimum local content levels in oil and gas projects in order to increase the participation of the national industry in supplying goods and services and, consequently, to increase employment and income in Brazil. In this context, the Brazilian federal government introduced the Brazilian Oil and Natural Gas Program (*Programa de Mobilização da Indústria Nacional de Petróleo e Gás Natural*).

Local content percentage used to be one of the criteria used for evaluating bidding offers for E&P concession rights in Brazil and under the production sharing regime it is fixed by the Brazilian government. For older agreements, the percentage offered by the companies is reflected in each concession contract executed or the awarded production sharing contract. We are indirectly subject to such local contract level requirements since our customers are holders of E&P rights.

In 2016, the Program for Incentive to Competitiveness in the Production Chain, Development and Improvement of Suppliers from Oil and Natural Gas Sector (*Programa de Estímulo à Competitividade da Cadeia Produtiva, ao Desenvolvimento e ao Aprimoramento de Fornecedores do Setor de Petróleo e Gás Natural*) ("**PEDEFOR**") was established by Decree No. 8.637/16. PEDEFOR aims to improve the local content policy of the oil and natural gas exploration and production sectors, especially by expanding the supply chain of goods, services and systems produced and raising the competitiveness in the suppliers' production chain in Brazil, as well as promoting technology innovation in strategic sectors and expanding the local content of suppliers already established.

Minimum local content requirements are also imposed (a) in connection with financing with the Brazilian state-owned development bank (*Banco Nacional de Desenvolvimento Econômico e Social*), and (b) in connection with bids solicited by Petrobras for the construction of offshore support vessels.

In early 2017, the Ministry of Mines and Energy in Brazil (the "**MME**") announced new minimum local content percentages for the production and exploration of oil and gas in Brazil to apply to the upcoming bid rounds. The new percentages reflect a reduction of nearly 50 percent of the requirements previously considered and are no longer a

bid criterion. The ANP offered the possibility for concession contracts executed since the seventh bid round to execute a contractual amendment to adhere to the new local content rules. Therefore, companies could choose between maintaining the original terms of their contracts or adhering to the new model of reduced local content percentages, but without the possibility of waiver. On those terms, amendment requests were submitted for over 90% percent of existing contracts.

Petrobras also verifies local content as a requirement for registering service providers and suppliers in its database. The failure to comply with the minimum local content requirements will result in the imposition of certain contractual fines on such service providers or suppliers.

Regulation of the offshore sector

Our drilling rigs and FPSOs are subject to the regulations applicable to vessels navigating in open sea, including those issued by Brazilian Navy, through the DPC.

Our drilling rigs are flagged either in the Republic of Panama, in the Commonwealth of the Bahamas or in the Republic of Liberia, and are subject to the jurisdiction of Panama, Bahamas and Liberia, as the case may be.

Under Panamanian law, the crew hired to work on our rigs flagged in the Republic of Panama may be of any nationality, and are subject to the labor regime of the country whose laws are adopted by the practices and customs of international navigation. Panama ratified the Standards of Training, Certification and Watchkeeping Convention with respect to working conditions onboard vessels and the tax system and the rates of Panamanian flagged vessels are highly competitive.

Under Bahamas law, the crew hired to work on our rigs flagged in the Bahamas also may be of any nationality and are subject to the labor regime of the country whose laws are adopted by the practices and customs of international navigation. The Bahamas also ratified the Standards of Training, Certification and Watchkeeping Convention with respect to working conditions onboard vessels. The tax system and the rates of Bahamian flagged vessels are also highly competitive.

Under Brazilian law, the master, the chief engineer and 2/3 of the crew onboard Brazilian vessels must be Brazilian (Art. 4 of Brazilian Federal Law No. 9,432/1997). Foreign vessels operating in Brazilian waters for a period longer than 90 continuous days must comply with proportionality rules between Brazilian and foreign crew members. The proportion shall progressively increase in favor of Brazilian crewmembers, depending on the time the foreign vessel stays in Brazil. CNig Normative Ruling No. 6/2017 establishes the time scale for foreign-flagged drillships as follows: (a) for 180 days of operations: 1/5 of total onboard professionals shall be Brazilian; (b) for 360 days of operations: 1/3 of total onboard professionals shall be Brazilian; and (c) for 720 days of operations: 2/3 of total onboard professionals shall be Brazilian.

In Brazil, the drillships need to comply with the Navy Authority rules (NORMAM). If foreign, drillships must be inspected by the Navy and also obtain the Temporary Enrollment Certificate (*Atestado de Inscrição Temporária - AIT*) and the Authorization to Operate in Brazilian Jurisdictional Waters (*Declaração de Conformidade para Operar em Águas Jurisdicionais Brasileiras - AJB*), in addition to the Minimum Safety Crew Certificate (*Certificado de Tripulação de Segurança - CTS*).

ANP Regulation No. 43/07 sets forth the regulatory framework for safety of operations concerning E&P activities in Brazil. It establishes the Operational Safety Management System (*Sistema de Gerenciamento de Segurança Operacional*), of oil and gas drilling and production facilities. Accordingly, our customers generally require us to put in place risk management systems as well as audit programs that meet the ANP standards.

Violators of ANP regulations are subject to the penalties described in Law No. 9,847/99 and ANP Regulation No. 234/03, including fines, suspension of E&P activities, suspension of the right to take part in ANP bids for up to five years, interdiction, seizure, and termination of the relevant concession contract, as the case may be. Violations of safety regulations are subject to fines ranging from R$2,000 to R$5,000,000. If violations create a risk to equipment and facilities as well as to the environment and to human life, operations may be suspended for a period ranging from one to 180 days. The termination of a concession contract may be imposed in case of failure to rectify the violations within periods prescribed by the ANP by notifications. Note that any sanctions imposed by the ANP

to the concessionaire or contractor under the production sharing regime are preceded by an administrative procedure, observing the due process and full defense principles.

We are subject to routine ANP inspections and our activities are supervised onboard our rigs, in the presence of Petrobras representatives, and we and Petrobras must demonstrate compliance with ANP regulations.

REPETRO

Our results of operations are directly affected by REPETRO. See "Risk Factors—Risks Relating to Our Industry—Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us."

The purpose of the REPETRO program is to reduce the tax burden on the investments for research and production in oil and gas fields, which is achieved through the total suspension of federal taxes due on the temporary importation of equipment chartered or leased from abroad. Recent amendments to the legislation introduced new tax treatments, in addition to those already regulated under former rules: REPETRO, which is now called "**REPETRO-SPED**", currently encompasses (i) the suspension of federal taxes due on permanent importations of equipment and (ii) the suspension of federal tax levied on importations and local acquisitions of raw material, intermediate products and packaging materials destined to the industrialization of final products to be used in research and production of oil and gas; and the suspension of federal taxes on the sale of the final product to oil and gas producing companies.

REPETRO-SPED applies only to goods listed by the Brazilian Federal Revenue. The Normative Ruling No. 1,781, of December 29, 2017, as amended, which regulates REPETRO-SPED, provides two different lists: one list refers to goods that must be imported on a permanent basis, while the other list refers to goods that may be imported on a permanent or temporary basis. Drilling rigs were included in this second list, meaning that such rigs may be imported on a permanent or temporary basis, provided that all the statutory requirements for Temporary Admission, which are stricter than the ones set out in the former rules, are met. The final term of REPETRO-SPED is December 31, 2040.

New regulations were recently enacted at the state level as well: On January 3, 2018, the ICMS Agreement No. 3 was enacted, which authorizes Brazilian states to (i) reduce the basis of calculation for ICMS (a state value added-tax) levied on goods imported on a permanent basis or acquired locally under REPETRO-SPED for use in research and production of oil and gas – the total ICMS burden in such case is equivalent to 3% (without the possibility of recording ICMS credits) and (ii) exempt the ICMS levied on goods imported on a temporary basis under REPETRO-SPED for research and production of oil and gas. The state of Rio de Janeiro has already incorporated the terms of ICMS Agreement No. 3/2018 into state legislation.

Environmental and Other Regulatory Issues

Main Authorities

The principal authorities that regulate offshore E&P activities in Brazil, as well as drillship and FPSO operations, are:

- the ANP, which is a regulatory agency linked to the Ministry of Mining and Energy. The ANP is responsible for (1) conducting the bidding rounds and granting the contracts for the exploration, development and production of hydrocarbons, (2) regulating and supervising oil and gas activities, and (3) ensuring the availability of fuel supply to the domestic market under contingency conditions;

- ANTAQ, which is a regulatory agency linked to the Ministry of Infrastructure. ANTAQ oversees and inspects the services related to water transportation and the development of Brazil's port and waterway infrastructure;

- the DPC, which supplements the regulatory activities exercised by the ANTAQ, the Captaincy of Ports (*Capitania dos Portos*), which supervises commercial offshore activities with respect to navigation and

national security, and the Maritime Court (*Tribunal Marítimo*), which is responsible for maintaining the ownership and encumbrances registry for Brazilian vessels and adjudicating navigation disputes;

- the IBAMA, the Brazilian federal environmental authority responsible for the issuance of environmental licenses and the inspection of potentially polluting activities; and

- the Brazilian tax authority (*Receita Federal do Brasil*) ("**RFB**") responsible for granting the REPETRO tax benefits to Brazilian ship owners and operators (see "—Brazilian Regulatory Framework—REPETRO").

Brazilian Environmental Regulations

The Brazilian environmental law framework includes international treaties and conventions to which Brazil is a party, as well as federal, state and local laws, regulations and permit requirements related to the protection of health and the environment. Brazilian oil and gas businesses are subject to extensive regulation by several governmental agencies, including the ANP and the IBAMA. Environmental, health and safety laws applicable to our onshore operations are enforced by state authorities, while laws and regulations applicable to offshore operations are predominantly enforced by federal authorities. Failure to comply with these laws and regulations may subject us to administrative, criminal and civil liability, including liability regardless of fault in civil cases (strict liability). With regards to civil liability, all legal entities or individuals directly or indirectly involved in creating environmental damage may be held liable and will be jointly and severally liable for environmental remediation. We are in substantial compliance with the current environmental laws and regulations.

Under Brazilian law, public civil actions for environmental remediation or indemnification for environmental damages may be filed by the State or Federal Prosecutors' Offices, the Federal Government, any Brazilian State or municipality, civil associations or public or private entities at any time. Furthermore, Brazilian legislation provides for piercing of the corporate veil when a company's assets are insufficient for the payment of environmental damages compensation.

Offshore drilling in Brazil is subject to environmental licensing by the IBAMA. The main piece of legislation concerning environmental licensing at the federal level is Law No. 6,938/1981, which sets forth the National Environment Policy and the licensing guidelines for the installation and operation of oil and gas rigs in Brazil.

Brazil is a signatory of the International Convention for the Prevention of Pollution from Ships ("**MARPOL**") and the International Convention for Preparedness, Response and Cooperation for Oil Pollution Situations ("**OPRC**"). However, applicable Brazilian federal legislation is much broader, and applies to oil terminals, pipelines and coastal/marine facilities. Under Law No. 9,966/00, oil and gas facilities are required to adopt a Risk Management and Emergency Plan. In addition, all facilities are required to adopt and implement an Oil Pollution Risk Assessment, including a comprehensive manual of internal procedures dedicated to the prevention of oil pollution incidents. Law 9,966/00 also requires that oil and gas facilities adopt and implement an Oil Spill Emergency Plan. Such Emergency Plan is subject to formal approval of the IBAMA with respect to the Emergency Plans for offshore facilities or state environmental agencies with respect to the Emergency Plans for onshore facilities. As part of the licensing process, an Individual Emergency Plan describing a contingency plan in case of oil spills, must also be submitted to the relevant authorities.

Additionally, Law No. 9,966/00 requires an independent environmental audit to be performed every two years. In the event of environmental incidents, the IBAMA and the ANP must be notified immediately. Legal liability for non-compliance extends to E&P companies, the rig owner, the drilling contractor and the crewmembers. The penalties consist of fines up to R$50 million, in addition to other administrative and criminal penalties and civil liability.

We, as well as our officers, directors and employees may be subject to criminal and administrative sanctions as a result of violations of environmental laws and regulations, including imprisonment, fines of up to R$50 million, suspension of activities, prohibition to enter into any agreement with the Brazilian federal government or Petrobras or to receive any public subsidies or incentives for up to ten years. Applicable administrative penalties for environmental law violations also include seizure of assets, suspension of activities, revocation of licenses, prohibition to enter into any agreement with the Brazilian federal government or Petrobras for up to three years and cancellation or suspension of financing arrangements with state-owned financial institutions.

Our Brazilian operations are exposed to administrative and criminal sanctions, including warnings, fines and closure orders for noncompliance with applicable environmental laws and regulations. Authorities such as the IBAMA, the ANP and the DPC routinely inspect our facilities and rigs, and may impose fines, restrictions on operations, or other sanctions as provided in the applicable legislation.

Legal Proceedings

During the normal course of our business activities, we are subject to civil, environmental, labor and tax contingencies of judicial and administrative nature. We record provisions for losses arising from litigation based on an evaluation of our chance of loss by our internal and external legal counsels, the progress of related proceedings and the history of losses in similar cases. We record provisions for contingencies in which our chance of loss is considered probable or when so required under accounting rules. As of December 31, 2018, our provisions for legal contingencies totaled U.S.$1.2 million. For additional information, see note 16 of our 2018 Financial Statements.

Additionally, on September 2, 2010, the Constellation Group transferred all of its E&P assets to Enauta. In connection with such transfer, pursuant to an indemnity agreement dated October 28, 2010, Enauta agreed to indemnify the Constellation Group for any losses arising from liability in connection with E&P operations. On January 18, 2011, the Constellation Group and Constellation Overseas agreed to indemnify Enauta for any future losses arising from existing and contingent liabilities not related to E&P operations.

The following is a description of our main legal proceedings as of the date hereof.

Tax

On September 15, 2010, the tax authorities of the City of Rio de Janeiro issued a notice of violation against us related to our alleged failure to pay tax on services (*imposto sobre serviços*) ("**ISS**"). As of December 31, 2018, the amount under dispute was U.S.$5.0 million. Our chance of loss in this proceeding is considered possible.

On January 22, 2015, the RFB issued a notice of violation against us related to PIS and COFINS we collected in the years 2010 and 2011. In RFB's view, we made improper use of tax credits to reduce our PIS and COFINS obligations and are now required to make corresponding tax payments. As of December 31, 2018, the amount under dispute was U.S.$22.6 million. Our chance of loss in this proceeding is considered possible.

Civil

On November 12, 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (collectively, "**Transocean**") filed a claim against Serviços de Petróleo Constellation and Brava Star Ltd. in the 3rd Special Lower Court of Rio de Janeiro (the "**3rd Special Court**"), accusing both entities of infringing Transocean's dual-activity drilling technology patent. On November 19, 2018, the 3rd Special Court rejected all preliminary injunctions requested by Transocean. Transocean appealed the decision with respect to the preliminary injunction seeking authority to inspect the Brava Star rig. On December 18, 2018, after granting an interim relief by the Court in appeal, the 3rd Special Court appointed AWS Engenharia, Consultoria, Inspeção e Certificação Ltda. ME to perform the inspection. On February 26, 2019 and April 1, 2019, mediation hearings were held, but no agreement has been settled among the parties. As such, the proceedings will continue in their normal course. Serviços de Petróleo Constellation and Brava Star Ltd. have presented defenses. As of the date of this Offering Memorandum, we are awaiting Transocean's reply, for which a deadline has not been set.

On July 30, 2018, two of the directors (the "**former Alperton Directors**") nominated by Alperton Capital Ltd. ("**Alperton**") to the boards of Amaralina Star and Laguna Star (the "**A/L Companies**") filed a claim in the BVI High Court (Commercial Division) against such companies and the five directors (the "**Constellation Directors**") nominated by Constellation Overseas to the boards of the A/L Companies requesting access to certain of the companies' books and records. To the best of our knowledge, as of the date of this Offering Memorandum, the claimants have not taken any steps to progress any of these claims. On August 16, 2018, the former Alperton Directors filed another claim with the BVI High Court alleging breach of fiduciary duties by the Constellation Directors. On September 6, 2018, Alperton filed a request for injunction with the BVI High Court to prevent Constellation Overseas from transferring Alperton's 45% stake in the A/L Companies (the "**Delba Shares**") to Constellation Overseas, a measure provided for in the related shareholders' agreements in the event of a "deadlock"

in the management of the A/L Companies. Although this application was issued nearly ten months ago and the applicants filed a certificate of urgency at the time of filing, the BVI High Court has not yet heard the application. On September 21, 2018, Constellation Overseas invoked its right under the related shareholders' agreements to acquire the Delba Shares upon the existence of an un-remedied "deadlock" and was registered as the sole shareholder of the A/L Companies. On January 30, 2019, Alperton filed an application in the BVI High Court seeking an injunction preventing Constellation Overseas from transferring or otherwise dealing with the Delba Shares. On March 13, 2019, BVI counsel for Alperton confirmed that this application was not being pursued. On June 26, 2019, Alperton issued stop notices in the BVI against the A/L Companies that require the A/L Companies to provide 14-days notice to Alperton before selling, transferring, registering the transfer, making payment, or otherwise dealing with the Delba Shares. A stop notice is an extra judicial document which is designed to provide the applicant with notice of a share transfer or other dealing with shares. On July 4, 2019, Constellation Overseas provided notice to Alperton of its intention to transfer the Delba Shares. Subsequently on July 9, 2019, Alperton filed an application for a stop order in the BVI seeking to prevent Constellation Overseas from transferring or otherwise dealing with the Delba Shares pending resolution of the ICC arbitration described below. The defendants to all the BVI claims vigorously contest and deny the allegations made against them. They also consider that the claims, as well as the stop notices, are procedurally deficient in several material respects.

On August 7, 2018, Constellation Overseas filed a request for arbitration with the International Chamber of Commerce (the "**ICC**") against Alperton under the parties' shareholders' agreements for the A/L Companies. The dispute concerns, among other things, (a) the confirmation of the applicable sales price (the "**DSP**") at which Constellation Overseas' was entitled to purchase Alperton's shares upon the occurrence of a "deadlock" under such Shareholders' Agreements, and (b) certain amounts owed by Alperton to Constellation Overseas under the Delba Carried Loan Agreements. Constellation Overseas takes the position that Alperton owes Constellation Overseas approximately U.S.$330 million. On September 14, 2018, Alperton filed its Answer and Counterclaims with the ICC, contending, among other things, that no "deadlock" occurred such that Constellation Overseas was not entitled to acquire Alperton's 45% shareholding in the A/L Companies and that, even if a "deadlock" had occurred, the DSP would be positive, such that Constellation Overseas would owe Alperton approximately U.S.$381 million to acquire Alperton's shares in the A/L Companies. Alperton disputes that the transfer of the Delba Shares to Constellation Overseas on September 21, 2019 was properly consummated and Alperton seeks, among other things, the return of the Delba Shares. Constellation Overseas submitted its reply on October 18, 2018, rejecting Alperton's counterclaims. Constellation Overseas intends to continue to pursue its rights and defend the counterclaims vigorously. In mid-December 2018, an arbitral tribunal was constituted. On June 29, 2019, the ICC rejected Alperton's request to bifurcate the arbitration in order to issue an expedited partial final award on the ownership of the Delba Shares. All claims and counterclaims will be heard together in a single merits phase. The schedule for the merits phase is currently being fixed. As the merits phase, including the briefing and hearing on the parties' claims and counterclaims, is not yet underway, we do not expect a decision on the merits before 2020.

On December 17, 2015, our subsidiary, Angra exercised a put option pursuant to the Sete Brasil Shareholders' Agreements whereby it formalized its intention to cease its ownership interest in the associate entities, Urca, Bracuhy and Mangaratiba, which own the Sete Rigs, by transferring its shares in these associate entities to Sete International in accordance with the Shareholders' Agreement. On March 23, 2016, Angra, following the proceedings agreed under the Sete Brasil Shareholders' Agreements, called a binding arbitration in order to enforce its put option rights. As of the date of this Offering Memorandum, the transfer of shares had not occurred. On April 20, 2016, we were informed that Sete Brasil's shareholders authorized Sete Brasil's petition for judicial recovery, which is currently ongoing. The judicial recovery of Sete Brasil includes the recovery plan of certain Sete Brasil Group international entities, such as Sete International, Angra's partner under the Sete Brasil Project. As a result of the exercise of the put option, Angra has requested to the judicial recovery court to provision the estimated amount of its credit that will be due in the event a favorable arbitration award is rendered in connection with the arbitration proceeding. The audited financial statements of Urca, Bracuhy and Mangaratiba for the years ended December 31, 2018 and 2017 have not been issued to date.

Environment

We are defendants in three administrative proceedings filed by the Captaincy of Ports due to alleged environmental damages caused in the development of our activities. Our chance of loss in these proceedings is considered possible. In addition, we are defendants in two civil lawsuits proposed by Collectives of Fishermen

(*colônia de Pescadores*) discussing the alleged impact of our former E&P operations on fishing activities as well as possible environmental damages in connection therewith. Our chance of loss in these proceedings is considered remote.

Labor

We are defendants in labor claims requesting compensation due to work-related accidents and occupational diseases. As of December 31, 2018, the aggregate amount under discussion in labor claims was U.S.$41.8 million in proceedings with possible chance of loss.

JUDICIAL REORGANIZATION

On December 6, 2018, we and certain of our subsidiaries (the "**RJ Debtors**") jointly filed for judicial reorganization (*recuperação judicial*) (the "**RJ Proceeding**") with the 1st Business Court of Judicial District of the Capital of the State of Rio de Janeiro (the "**RJ Court**"), based on the Brazilian Bankruptcy Law. The request was approved by our Board of Directors on December 5, 2018. On June 28, 2019, creditors of the RJ Debtors approved our judicial reorganization plan (the English translation of which is attached as Appendix A hereto, the "**RJ Plan**") at the general creditors' meeting ("**GCM**"). The RJ Plan was confirmed by the RJ Court on July 1, 2019 (the "**Brazilian Confirmation Order**"). While the RJ Plan remains in full effect as of the date of this Offering Memorandum, it is, and may be in the future, subect to certain appeals. See "Risk Factors—Risks Relating to the Rights Offering—The Rights Offering is subject to conditions, and it may be cancelled, delayed or amended." The approval of the RJ Plan results in the discharge of all obligations existing prior to the filing of the RJ Proceeding (and the novation thereof with the new indebtedness described below) and is binding on the RJ Debtors and all creditors subject to it.

We are in the process of implementing the RJ Plan and will conclude the implementation of the portions of the RJ Plan related to the Restructuring contemporaneously with the Settlement Date. Certain portions of the RJ Plan may occur following the Settlement Date, including the FPSO Disposition and the conclusion of the Olinda BVI Proceeding.

Recognition Proceedings in the United States

On December 10, 2018, the U.S. Bankruptcy Court granted the provisional relief requested by the RJ Debtors that commenced Chapter 15 cases (the "**Chapter 15 Cases**") before the U.S. Bankruptcy Court of the Southern District of New York (the "**U.S. Bankruptcy Court**"). The Chapter 15 Cases were filed on December 6, 2018 under Chapter 15 of the United States Bankruptcy Code. As of the date of this Offering Memorandum, the U.S. Bankruptcy Court has recognized the RJ Proceeding as the foreign main proceedings for seven of the RJ Debtors and as the foreign non-main proceeding for one of the RJ Debtors (the "**U.S. Recognition Order**"). Upon granting of the U.S. Recognition Order, a stay period automatically commenced, preventing the filing, in the United States, of any actions against such RJ Debtors or their assets located within the territorial jurisdiction of the United States.

The foreign representative for the RJ Debtors intends to file a motion with the U.S. Bankruptcy Court on or about July 17, 2019, seeking a judicial order of that court to grant, among other things, full force and effect to the RJ Plan and the Brazilian Confirmation Order in the United States (the "**U.S. Enforcement Order**"). Upon the grant of the U.S Enforcement Order, the claims governed by New York law will be novated and discharged under New York law and the creditors will be paid in the terms set forth in the RJ Plan. See "—New Indebtedness" below.

BVI Liquidation Proceedings

Several subsidiaries that are obligors under the Constellation Group's indebtedness are incorporated in the British Virgin Islands, including Constellation Overseas, an intermediate holding company and treasury entity, and certain rig-owning entities.

On December 7, 2018, the Constellation Group's entities organized in the BVI filed an *ex parte* motion for the appointment of JPLs on an interim basis with the commercial court in the BVI to initiate a "soft-touch liquidation" proceeding for the BVI entities. On December 13, 2018, the court held a hearing on the BVI entities' application to appoint JPLs, and the JPLs were appointed by order of the court on December 19, 2018. The JPLs are officers of the BVI court whose function is to represent the collective interests of the creditors of each debtor for which they are appointed, including by overseeing and protecting against undue dissipation of assets of those debtors.

During the RJ Proceeding, Olinda Star was excluded therefrom by the RJ Court and is not included as an RJ Debtor for the RJ Plan. Olinda Star intends to restructure its indebtedness in a way that mirrors the RJ Proceedings (to the extent possible) by way of a restructuring process that is permissible under BVI law (the "**Olinda BVI Proceeding**"). Olinda Star remains in provisional liquidation and the joint provisional liquidators (the "**JPLs**") appointed on December 19, 2018 by the BVI court remain in place.

New Indebtedness

By operation of the RJ Plan, as confirmed by the Brazilian Confirmation Order, the claims against the RJ Debtors will be novated and discharged under Brazilian Bankruptcy Law and creditors will receive the recoveries set forth in the RJ Plan as follows:

Existing 2024 Notes

In accordance with the RJ Plan, the claims of holders of the Existing 2024 Notes will be novated and replaced with claims under either the Participating Notes or the Non-Participating Notes.

Participating Notes: To the extent a holder validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, on the Settlement Date, such holder shall receive its purchased amount of the First Lien Tranche and the right to receive amounts of the Second Lien Tranche and the Third Lien Tranche, each together as Underlying Tranches in the Participating Notes. For the terms of the Participating Notes, see the Indenture attached as Appendix B hereto.

Depending on the participation level with respect to the Rights Offering, Eligible Holders that have validly subscribed for and purchased their pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering may receive a portion of the Second Lien Tranche and/or Third Lien Tranche, each as standalone notes (the "**Stub Notes**") issued in accordance with the RJ Plan and the Bankruptcy Code. The Stub Notes will be issued under a separate indenture and will not be an Underlying Tranche in the Participating Notes. Under the indenture governing the Stub Notes, if a majority of the holders of Participating Notes have consented to modify the indenture governing the Participating Notes, the Company may make conforming changes to the indenture governing the Stub Notes without the consent of the holders of the Stub Notes. In addition, only holders of the Participating Notes will be able to accelerate the obligations under the indenture governing the Stub Notes or waive any event of default thereunder. See "Risk Factors—Risks Relating to the Rights Offering—Holders of Stub Notes will have limited rights under the indenture governing the Stub Notes."

Non-Participating Notes: To the extent a holder does not validly subscribe for and purchase its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, such holder shall have the right to receive their pro rata share of the Non-Participating Notes to be issued by the Company. The Non-Participating Notes will be unconditionally and irrevocably guaranteed, jointly and severally, by Constellation Overseas and the Subsidiary Guarantors that guarantee the Participating Notes, other than Lancaster, Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1, and will receive a fourth-priority lien on the Collateral (other than the Collateral related to Lancaster, Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1) and a fifth-priority lien on the shares of Amaralina Holdco 1, Laguna Holdco 1 and Brava Holdco 1. The Non-Participating Notes will mature on November 9, 2024. Interest on the Non-Participating Notes will be payable semi-annually on May 9 and November 9 of each year, commencing on November 9, 2019 at a rate that is contingent on the satisfaction of the Minimum Subscription Amount. If the Minimum Subscription Amount is obtained, interest on the Non-Participating Notes will accrue (i) from the Settlement Date to, but excluding, November 9, 2021, at a 10.00% PIK interest rate and (ii) on and after November 9, 2021, (A) in cash, at a rate per annum of 7.00% and (B) at a 3.00% PIK interest rate. If the Minimum Subscription Amount is not obtained, interest on the Non-Participating Notes will accrue from the Settlement Date to maturity at a 10.00% PIK interest. Similarly, if the Minimum Subscription Amount is not obtained, the indenture governing the Non-Participating Notes will include limitations on the Company's ability to, among others: (i) incur additional indebtedness, (ii) pay dividends on, redeeming or repurchasing its capital stock, (iii) make investments, (iv) sell assets, (v) engage in transactions with affiliates, (vi) create unrestricted subsidiaries, (vii) create certain liens, and (viii) consolidate, merge, or transfer all or substantially all of its assets, which limitations will be consistent with those in the Indenture governing the Participating Notes. If the Minimum Subscription Amount is obtained, there will be no such limitations in the Non-Participating Notes indenture. No amortization of interest or principal amount on the Non-Participating Notes will be payable until maturity, at which time a bullet payment will be due.

A&R ALB Facilities

In accordance with the RJ Plan, the claims of the agents and lenders under our outstanding project financing credit facilities (the "**Existing ALB Facilities**" and the lenders thereunder the "**ALB Lenders**") will be amended and restated (the "**A&R ALB Facilities**") on the Settlement Date. The A&R ALB Facilities will include additional

tranches for the re-lending of U.S.$39.1 million (the "**ALB Re-Lending Amount**"). The A&R ALB Facilities will mature on November 9, 2023, and will amortize according to a fixed schedule after December 31, 2020, with a bullet payment for the remaining balance due on the maturity date. Interest on the A&R ALB Facilities will be payable, either in cash or by increasing the principal amount of the outstanding indebtedness ("**PIK**"), at the Company's option, as follows: (a) from September 1, 2018 through January 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 10.00% PIK; (b) from February 1, 2019 through July 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 12.00% PIK; (c) from August 1, 2019 through December 31, 2019 either (i) LIBOR + 2.75% Cash, 1.50% PIK or (ii) 14.00% PIK; and (d) from 2020 through 2023, LIBOR + 2.75% Cash, 1.50% PIK.

The creditors under the respective facilities of the A&R ALB Facilities will maintain the collateral currently provided in the Existing ALB Facilities. In addition, the lenders under the facilities relating to Amaralina Star and Laguna Star (the "**AL Lenders**") will receive *pari passu* silent second liens on the shares of Brava Star and the Brava Star drilling rig, and the lenders under the facilities relating to Brava Star (the "**Brava Lenders**") will receive *pari passu* silent second liens on the shares of Amaralina Star and Laguna Star, and on the Amaralina Star drilling rig and Laguna Star drilling rig. The AL Lenders will receive a first priority lien, and the Brava Lenders will receive a second priority lien, on Alperton receivables assigned to Constellation Overseas under the loan agreements (the "**Delba Carried Loan Agreements**") related to the Delba Shares (as defined below) and any claims Constellation Overseas has against Alperton. The ALB Lenders will also receive (i) a pledge of the shares of the newly created holding companies, Amaralina Star Holdco 2 Ltd. ("**Amaralina Holdco 2**"), Laguna Star Holdco 2 Ltd. ("**Laguna Holdco 2**") and Brava Star Holdco 2 Ltd. ("**Brava Holdco 2**" and together with their respective subsidiaries, Podocarpus Management B.V., Palase Management B.V., and Brava Drilling B.V., the "**ALB Entities**"), (ii) first priority liens on intercompany receivables, including receivables owed to ALB Entities or owed to any entity in the Constellation Group from any ALB Entity, and receivables relating to the Delba Carried Loan Agreement, (iii) an assignment over all charter and services or operating agreement receivables, and (iv) until receipt by Constellation Group of its share of net cash proceeds from the FPSO Disposition (see Section 3.11 of the Indenture), (1) first priority liens (on a *pari passu* basis with the First Lien Tranche and the New Bradesco Facility) on the assets related to the Company's interest in Arazi and Lancaster securing the ALB Re-Lending Amount and interest accrued thereon, and (2) a negative pledge with respect to the underlying FPSO assets.

The A&R ALB Facilities will retain existing covenants and have customary covenants for project financings, including limitations on dividends, asset sales, granting of new liens and incurring new indebtedness. The A&R ALB Facilities will have no financial covenants until 2021, except a minimum liquidity threshold of U.S.$60 million through December 31, 2020 and U.S.$75 million thereafter through 2023.

Bradesco Indebtedness

In accordance with the RJ Plan, the claims of Banco Bradesco S.A., Grand Cayman Branch ("**Bradesco**") under our working capital facilities (the "**Existing Bradesco Facilities**") will be amended and restated ("**A&R Bradesco Facilities**") on the Settlement Date. In addition, pursuant to the RJ Plan, on the Settlement Date, Bradesco will lend the Company U.S.$10 million for general corporate purposes under a new credit facility (the "**New Bradesco Facility**", and together with the A&R Bradesco Facilities, the "**Bradesco Facilities**"). The Bradesco Facilities will mature on November 9, 2025 and will have an interest rate of (a) LIBOR + 2.00% PIK (deferred through maturity) through January 2021 and (b) LIBOR + 2.00% (2.75% cash, and remainder PIK and deferred to maturity) from February 2021 through November 9, 2025. The Bradesco Facilities will amortize quarterly on a fixed schedule amounting to U.S.$5 million annually from January 1, 2022 through December 31, 2024, and U.S.$7.5 million thereafter until the third quarter of 2025, and receive principal payments in connection with any excess cash sweep or with the FPSO Disposition.

The New Bradesco Facility will receive first priority liens (on a pari passu basis as the First Lien Tranche), U.S.$50 million of the A&R Bradesco Facilities will receive second priority liens (on a pari passu basis as the Second Lien Tranche), and U.S.$100 million of the A&R Bradesco Facilities will receive fourth priority liens (on a pari passu basis as the Non-Participating Notes and the A&R Bradesco L/C Agreements, in each case, on the same Collateral securing the Participating Notes. In accordance with the RJ Plan, the reimbursement agreements relating to the existing letters of credit issued by Bradesco to Laguna Star (U.S.$24 million) and Brava Star (U.S.$6.2 million) will be amended and restated (the "**A&R Bradesco L/C Agreements**" and collectively with the Bradesco Facilities, the "**Bradesco Indebtedness**") on the Settlement Date to receive such fourth priority liens on the Collateral. In addition, until receipt by Constellation Group of its share of net cash proceeds from the FPSO

Disposition (see Section 3.11 of the Indenture), the New Bradesco Facility will have (1) first priority liens (on a *pari passu* basis with the First Lien Tranche and the ALB Re-Lending Amount) on the assets related to the Company's interest in Arazi and Lancaster and (2) a negative pledge with respect to the underlying FPSO assets.

For more information related to the collateral securing Bradesco Indebtedness and the Intercreditor Agreement governing such collateral, see Appendix C hereto.

Existing 2019 Notes

In accordance with the RJ Plan, the claims of holders of the Company's 6.25% Senior Notes due 2019 (the "**Existing 2019 Notes**") will be novated and replaced with the Company's 6.25% PIK Senior Notes due 2030 (the "**Unsecured Notes**"). The Unsecured Notes will mature on November 9, 2030 and accrue interest from the Settlement Date at a 6.25% PIK interest rate. The indenture governing the Unsecured Notes will not include any limitations on the Company's ability, among others to: (i) incur additional indebtedness, (ii) pay dividends on, redeeming or repurchasing its capital stock, (iii) make investments, (iv) sell assets, (v) engage in transactions with affiliates, (vi) create unrestricted subsidiaries, (vii) create certain liens, or (viii) consolidate, merge, or transfer all or substantially all of its assets. No amortization of interest or principal amount will be payable until maturity, at which time a bullet payment will be due.

In this Offering Memorandum, we refer to the Participating Notes, Stub Notes, Non-Participating Notes, A&R ALB Facilities, Bradesco Indebtedness and Unsecured Notes, collectively as our "**Novated Indebtedness**").

Backstop Agreement

In connection with the RJ Plan, we entered into the Backstop Agreement with the Backstop Investors, who hold 52.98% of the outstanding principal amount of the Existing 2024 Notes as of the date of this Offering Memorandum.

Under the Backstop Agreement, the Backstop Investors have agreed, on the terms and subject to the conditions of the Backstop Agreement, that they will purchase the principal amount of the unsubscribed portion of the First Lien Tranche.

The backstop obligations of the Backstop Investors are conditioned upon the satisfaction or waiver of certain conditions, including, among other things, the RJ Court entering the Brazilian Confirmation Order, the U.S. Bankruptcy Court entering the U.S. Enforcement Order, and the entry of orders in any Ancillary Proceeding necessary to effect the Restructuring. The Backstop Investors shall fund the purchase price of their respective share of the unsubscribed portion of the First Lien Tranche no later than three Business Days prior to the Settlement Date.

The Backstop Investors are not soliciting participation by the holders of Existing 2024 Notes in the Rights Offering or engaging in any other marketing or sales activity in connection with the Rights Offering.

MANAGEMENT

Senior Management

Members of our senior management are appointed from time to time by vote of our Board of Directors and hold office for an indefinite period of time until a successor is elected and qualified. There are no statutory officers under Luxembourg law; thus, our Board of Directors is the sole body responsible for managing our affairs and ensuring that our operations are organized in a satisfactory manner. The members of senior management set forth below currently serve as senior managers of certain of our subsidiaries and will be responsible for the day-to-day management of our operations.

Name	Age	Position
Guilherme Ribeiro Vieira Lima	63	Chief Executive Officer
Camilo McAllister	46	Chief Financial Officer
José Maurício de Faria	58	Chief Administrative Officer
Rodrigo Ribeiro	45	Chief Operating Officer
José Augusto Moreira	62	Chief Commercial Officer

Guilherme Ribeiro Vieira Lima. Mr. Lima, our Chief Executive Officer, joined the Constellation Group in 1996 and has 37 years of oil and gas services experience. He was our Chief Financial Officer from 2004 to 2019. He also served as a Financial Manager while working at our subsidiary company, Serviços de Petróleo Constellation, from 1996-2004, having previously worked for Constellation from 1981-1984. Currently, Mr. Lima exercises management activities at Constellation Panama. He began his career working at Sotreq, a Caterpillar dealer in Brazil and acquired extensive experience while working for various other engineering and drilling companies as a financial and administrative manager, supply manager, operations coordinator and engineering manager. Mr. Lima holds a bachelor's degree in mechanical engineering, an MBA in Finance from IBMEC – *Instituto Brasileiro de Mercado de Capitais* and an MBA in Petroleum from the COPPEAD Graduate School of Business ("**COPPEAD**") at the Federal University of Rio de Janeiro ("**UFRJ**").

Camilo McAllister. Mr. McAllister, our Chief Financial Officer since 2019, has over 23 years of experience in the Oil and Gas industry. He began his career at BP, where he worked for 15 years and held several positions \in their finance, supply chain and commercial departments, including Investor Relations Manager in New York, Commercial Relations Manager in Colombia and Senior Planning and Performance Manager in London. Over the past nine years, Mr. McAllister has held executive, CFO, and CEO positions at oil and gas companies. He was the CFO and CEO at Vetra E&P. Later, he occupied the CFO position at Frotera Energy, where he was responsible for HR, Supply Chain, Investor Relations, IT, Strategy, Planning, and Finance. Most recently, he was VP of Joint Operations at Ecopetrol in Colombia. Mr. Camilo holds an MBA degree from Duke University in Business Administration and a bachelor's degree in Business Administration from CESA.

José Maurício de Faria. Mr. Faria is our Chief Administrative Officer and joined the Constellation Group in June 2008. Mr. Faria acquired extensive experience working at KPMG-Brazil for five years, where he participated in several technology projects and reorganizations of Brazilian and non-Brazilian corporations. After working for KPMG-Brazil, Mr. Faria worked as information technology manager at Construtora Queiroz Galvão from April 1997 to June 2008, where he was in charge of information technology projects in Latin America. Mr. Faria holds a business administration degree from Estácio de Sá University and an MBA from Pontifícia Universidade Católica do Rio de Janeiro. He has also attended specialized information technology courses in Brazil and in the United States. Mr. Faria is based in our Panama office.

Rodrigo Ribeiro. Mr. Ribeiro has been the Chief Operating Officer of the Constellation Group since July 2012 and has 22 years of oil and gas services experience. Mr. Ribeiro started his career in 1996 working for Odebrecht Óleo e Gás S.A. prior to joining the Constellation Group in January 2000. Since joining the Constellation Group, Mr. Ribeiro has held several different positions in the operations division of the Constellation Group, including General Offshore Operations Manager Maintenance Engineer, Engineering & Support Manager, Operations Engineer and Rig Manager. As Project Manager from 2005 to 2009, Mr. Ribeiro oversaw the upgrades of the Alaskan Star, Atlantic Star and Olinda Star in Brazil. Additionally, he was the Site Manager in charge of the construction of Gold Star and Alpha Star in Singapore. Mr. Ribeiro holds a degree in mechanical engineering, graduate degrees in petroleum engineering, and safety engineering and an MBA from Fundação Dom Cabral. In

addition, Mr. Ribeiro is currently enrolled in a Master's Program in Mineral Engineering with a specialization in oil and gas at Universidade de São Paulo – USP.

José Augusto Moreira. Mr. Moreira has been the Chief Commercial Officer of the Constellation Group since February 2008. Mr. Moreira has extensive experience in the petroleum industry, having worked for 36 years as a field engineer and commercial manager for Baker Hughes, CBV and executive director for Smith International do Brasil. At Smith International, Mr. Moreira also held positions as area manager for international operations in Argentina, Bolivia, Colombia, Peru and Venezuela and global account manager responsible for the worldwide Petrobras account. In addition to having taken specialized petroleum engineering coursework (CEP) from Petrobras SEN-BA, Mr. Moreira holds a degree in civil engineering from Universidade Santa Úrsula, a degree in petroleum engineering and an MBA from COPPEAD at UFRJ.

Board of Directors

In accordance with Luxembourg law, our Board of Directors is the sole responsible body for managing our affairs and ensuring that our operations are organized in a satisfactory manner.

Our articles of association (the "**Articles**") provide that our Board of Directors shall have no fewer than three members and a maximum of 11 members and may be appointed for a renewable period of up to two years. Our Articles provide that the members of our Board of Directors are elected by a general meeting of our shareholders. Resolutions adopted at a general meeting of our shareholders determine the number of directors comprising our Board of Directors, the remuneration of the members of our Board of Directors and each director's term. Under the Companies Law, directors may not be appointed for a term of more than six years but are eligible for re-election.

Our Articles provide that the current term of office for each of our directors is two years, with each director being eligible for re-election in 2020. Directors may be removed at any time, with or without cause, by a resolution adopted at a general meeting of our shareholders. If the office of a director becomes vacant, the other members of our Board of Directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed at the next general meeting of our shareholders.

Although our Articles allow us to have up to 11 members on our Board of Directors, our Shareholders' Agreement with CIPEF states that our Board shall be composed of up to nine members, seven of whom are appointed by the controlling shareholder and two by CIPEF, with the resolutions of the Board of Directors being passed by the approval of the matters by at least five members of our Board of Directors. On March 13, 2017, we created two classes of shares, class A shares and class B shares. The class B shares are non-voting shares in accordance with applicable laws of Luxembourg. The Articles converted our existing 189,227,364 common shares into 186,808,445 class A shares and 2,418,919 class B shares, without nominal value. As a result of this amendment, our controlling shareholder and CIPEF own 74.1% and 25.9%, respectively, of our voting stock.

The current members of our Board of Directors are the following:

Name	Position	Age	Date of Appointment
Luiz Rodolfo Landim Machado	Chairman of the Board	61	2018
Maria Claudia Guimarães	Director	58	2018
Marcos Grodetzky	Director	62	2016
Guilherme de Araujo Lins	Director	55	2016
Sébastien François	Director	39	2016
Paul de Quant	Director	42	2018

Luiz Rodolfo Landim Machado. Mr. Landim spent 26 years at Petrobras, from 1980 to 2006, initially as a Production Engineer, and subsequently as General E&P Manager in different districts, including the Sergipe-Alagoas and Campos Basins. He also acted as Managing Director of Natural Gas in Rio de Janeiro, in addition to other executive positions including CEO of the subsidiaries Gaspetro and Petrobras Distribuidora. After this, he moved into the private sector and became one of the co-founders and CEO of OGX Petróleo e Gás and OSX Brasil. Mr. Landim has also been a member of the Board of Directors of Smith International, Wellstream and Cameron Corporation. He is co-founder and controlling shareholder of Ouro Preto Óleo e Gás and a Managing Partner of Mare Investimentos. He has a bachelor's degree in Civil Engineering from the Universidade Federal do Rio de

Janeiro (UFRJ), with postgraduate studies in Administration (PMD) at Harvard University (USA) and a specialization course in Petroleum Engineering at the University of Alberta (Canada).

Maria Claudia Guimarães. Mrs. Guimarães has 32 years of experience in the financial markets, including 24 years covering the oil and gas sector. She held the position of Managing Director at Bank of America Merrill Lynch Investment Banking from 2009 to 2018. Previously, Mrs. Guimarães held positions in ING Bank, Banco Itaú, BankBoston, ABN AMRO Bank and Banco Nacional and has experience in investment banking, project finance, debt restructuring, corporate banking and corporate finance areas. She is also partner of the KPC Multi-Family Office. She holds a degree in Engineering from Universidade Federal do Rio de Janeiro (UFRJ) and an MBA from the Coppead Graduate School of Business.

Marcos Grodetzky. Mr. Grodetzky, with nearly 31 years of experience in the finance industry, has held senior positions at banks, private equity/venture capital funds and in the credit card industry. His activities have been primarily in the corporate and investment banking, trade finance, asset management and product sectors, with additional work in sales, distribution, product structuring, credit and risk, among other areas. From 2008 to 2010, he was vice-president of finance and investor relations at Aracruz Celulose S.A. - Fibria S.A. In 2010 and 2011, he was vice-president of finance and investor relations at Cielo S.A. From 2012 to 2013, he acted as CEO of DGB S.A., a holding company owned by Grupo Abril S.A. He is the founding partner of Mediator Assessoria Empresarial Ltda., a company that since 2011 has served as a mediator between businesses and shareholders, offering strategic and financial consulting services. Mr. Grodetzky has also acted as board member for 13 listed and non-listed Brazilian companies and, in addition to being a member of our board, currently is a member of three other boards (Oi S.A., Burger King Brasil and Vicunha Aços S.A.). He is also financial director of the Brazilian Israelite Social Welfare Union (*União Israelita Brasileira do Bem Estar Social -UNIBES*), a non-profit philanthropic entity. He holds a B.Sc. in Economics from Universidade Federal do Rio de Janeiro (UFRJ) and participated in the Senior Management Program administered by INSEAD and the Dom Cabral Foundation (Fundação Dom Cabral).

Guilherme de Araujo Lins. Mr. Guilherme de Araujo Lins is a CIPEF Managing Partner. Mr. Lins joined CIPEF in 2000, is a member of the CIPEF Investment Committee, and is responsible for private equity investments in Latin America, focusing primarily on Brazil, and Africa. Prior to joining CIPEF, he spent eight years at J.P. Morgan in the Latin American mergers and acquisitions group in New York and São Paulo, and covering J.P. Morgan's clients in Brazil. Before that, Mr. Lins spent three years at Matuschka Group in Paris and Munich in the firm's corporate finance department. He has been a Director at the Constellation Group since 2010. He holds a B.Sc. in chemical engineering from Universidade Federal do Rio de Janeiro (UFRJ) and a management degree from École des Hautes Études Commerciales-HEC in Paris.

Sébastien François. Mr. François is a director of Centralis S.A. (Luxembourg) ("**Centralis**"), a position he has held since August 2013. He also held the position of senior manager at Centralis from September 2011 to March 2013. From 2005 until 2011, Mr. François held various client services positions at AIB Administrative Services Luxembourg S.à r.l., including client services manager, client services supervisor and client services accountant. From 2003 until 2005, Mr. François was a fund accountant at Fastnet Luxembourg. Mr. François studied Latin, mathematics and languages at the Institut Saint-Remacle in Marche-en-Famenne, received a degree in business administration in 2002 from the Université Catholique de Louvain ("**UCL**"), completed a post-graduate program in financial economics at UCL from 2002 to 2003 and attended various internal and external trainings on time and task management, people management and IFRS between 2005 and 2011.

Paul de Quant. Mr. de Quant is a partner of The Directors' Office, the leading practice of independent directors in Luxembourg. Mr. de Quant is a senior investment professional with over 27 years of experience in the financial sector and with extensive background in asset management covering long-only and alternative assets and fund governance. He has worked for companies such as Chase Manhattan Bank, Taiheiyo Securities (Yamaichi Group), and ANZ Merchant Bank, before establishing a number of businesses. Mr. de Quant was the co-founder and managing director of Amsterdam-based Amstel Group, a stockbroker focusing on Japanese and other Asian equities. He was also the co-founder and managing director of New Asia Asset Management Ltd., Alpha Investment Management S.A.M. (part of Deutsche Bank from 2006), and Astraeus Capital Management. Mr. de Quant has worked in Geneva, Monaco, Hong Kong, the Netherlands and London. Mr. de Quant is an independent director of Luxembourg, Hong Kong, Cayman Island and Jersey based investment companies. He also has specific expertise in dealing with hedge funds, illiquid assets and acts as fund liquidator for a number of hedge funds.

Committees of the Board of Directors

Our Board of Directors is advised by four permanent advisory committees on matters relating to its oversight responsibility. The committees set the general business guidelines within the areas of their respective responsibilities, in accordance with applicable laws and the internal policies and controls of our Company. The advisory committees are chaired by a director and are composed of key executives of our Company and our directors.

- *Audit Committee*. The Audit Committee reviews our financial statements and audit reports and interacts with our independent auditors. Our Board of Directors has appointed an independent external member to the Audit Committee who is financially sophisticated and has extensive experience in the area. Our Board of Directors has also designated two members of our senior management team to be on the Compliance Committee, which is a sub-committee to the Audit Committee. The Compliance Committee has oversight responsibility over all of our ethics and anticorruption guidelines, policies and procedures and ensures compliance with applicable legislation regarding business ethics and conduct. See "Compliance Program" below;

- *Strategic and Sustainability Committee*. The Strategic and Sustainability Committee reviews and opines on key projects and business endeavors to be undertaken by us;

- *Compensation Committee*. The Compensation Committee advises the Board of Directors on incentive compensation, benefit programs and succession issues for our key employees and managers; and

- *Finance Committee*. The Finance Committee advises our Board of Directors on relevant financial matters, including recommending a capital structure and providing guidelines for the use of financial derivatives.

Compensation

Our bylaws require the aggregate compensation of our directors to be determined annually by our shareholders. The members of our Board of Directors, senior management and statutory officers earned a total aggregate compensation of approximately U.S.$4.3 million and U.S.$8.2 million for the years ended December 31, 2017 and 2016, respectively.

The main component of our management and officers' compensation is a fixed salary. Our management and officers are also entitled to a pension plan, health and dental plan, and life insurance as an indirect benefit and are eligible for our incentive plan.

We believe that our compensation policy is effective in attracting and retaining qualified key personnel due to its transparency.

Compliance Program

We maintain a number of ethics, anti-bribery and compliance policies and procedures, which are part of our compliance program. Such policies include a code of ethics and conduct and a stand-alone anti-corruption policy, which incorporates all the elements of the FCPA, UK Anti-Bribery Act, and Brazilian Anti-Corruption Law, among other applicable anti-corruption laws, as well as all elements of OECD's good practice guidance on internal controls, ethics and compliance. We have implemented more than 150 procedures as part of our internal controls program, which is in full alignment with the Sarbanes-Oxley Act of 2002. Our policies require that our personnel undergo periodic training in accordance with the Company's annual training program. The Company also makes available its ethics and conduct channel (whistleblower hotline), for all employees, third parties and the public in general to report any concerns regarding improper ethical conduct involving its business and operations. We also conduct risk assessments on ethics and compliance, provide guidance over interactions with public officials and private parties, implement due diligence on third parties, internal and external investigation procedures and provide disciplinary actions, among several other measures related to ethics and compliance. We have developed a permanent compliance communication plan solely dedicated to ensure that all employees of the company are educated and fully committed to the compliance program. The compliance program is strongly supported by the top administration of the Company, which provides the necessary resources and guidelines for the program. All of this is overseen by the

Compliance Department, an independent department that has direct access to the Company's executives and Board of Directors.

PRINCIPAL SHAREHOLDERS

The following table sets forth our shareholders as of the date of this Offering Memorandum.

Shareholder	Number of Class A Shares	Number of Class B Shares	Total Number of Shares	Percentage of Total Shares
Lux Oil & Gas International S.à r.l (f/k/a Queiroz Galvão International S.à r.l.) (1)	140,293,142	—	140,293,142	74.14%
Constellation Holdings S.à r.l (2)	16,862,219	876,880	17,739,099	9.37%
Constellation Coinvestment S.à r.l (3)	14,800,460	769,663	15,570,123	8.23%
CIPEF VI QGOG S.à r.l (4)	14,564,483	757,392	15,321,875	8.10%
CGPE VI, L.P.(5)	288,141	14,984	303,125	0.16%
Total	**186,808,445**	**2,418,919**	**189,227,364**	**100.00%**

(1) The outstanding shares of Lux Oil & Gas International S.à r.l. are ultimately beneficially owned by Sun Star FIP Multiestratégia. See "— Lux Oil & Gas International S.à r.l."
(2) Constellation Holdings S.à r.l. is a wholly-owned subsidiary of CIPEF V Constellation Holding L.P.
(3) Constellation Coinvestment S.à r.l is a wholly-owned subsidiary of CIPEF Constellation Coinvestment Fund, L.P.
(4) CIPEF VI is a wholly-owned subsidiary of Capital International Private Equity Fund VI, L.P.
(5) CGPE VI is an exempted limited partnership under the laws of Delaware. CGPE VI's limited partners are primarily employees of Capital and its affiliates.

Lux Oil & Gas International S.à r.l.

Lux Oil & Gas is a holding corporation and our direct controlling shareholder. As of the date of this Offering Memorandum, the shares of Lux Oil & Gas are beneficially owned by Sun Star FIP Multiestratégia (the "**Sun Star FIP**"), a *Fundo de Investimento em Participações*, which is administered by REAG Administradora de Recursos Ltda. (IDEAL Trust). Lux Oil & Gas was duly formed under the laws of Luxembourg as a private limited liability company (*société à responsabilité limitée*), having its registered office at 8-10 Avenue de La Gare, L-1610 – Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B164736.

Constellation Holdings S.à r.l. and Constellation Coinvestment S.à r.l.

Constellation Holdings S.à r.l. and Constellation Coinvestment S.à r.l. are holding companies of Capital. They are wholly-owned, respectively, by two investment vehicles, CIPEF V Constellation Holding L.P. and CIPEF Constellation Coinvestment Fund, L.P., respectively, which are investment funds managed by Capital.

Constellation Coinvestment S.à r.l. and Constellation Holdings S.à r.l. were duly formed under the laws of Luxembourg as private limited liability companies (*sociétés à responsabilité limitée*), having their registered office at 15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg, being registered with the Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B167337 and B167333 respectively.

CIPEF VI QGOG S.à r.l

CIPEF VI is a holding company of Capital, and wholly-owned by Capital International Private Equity Fund VI, L.P., an investment fund managed by Capital.

CIPEF VI was duly formed under the laws of Luxembourg as a private limited liability company (*société à responsabilité limitée*), having its registered office at 15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg, registered with the register of Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B179273.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Our Board of Directors approves related party transactions that are on an arm's length basis and on market terms and conditions.

We are currently not party to any transaction with, and have not made any loans to, any of our directors or senior management, and have not provided any guarantees for the benefit of such persons, nor are there any such transactions contemplated with any such persons.

The following table presents the aggregate amounts of our total financial exposure to related parties for the fiscal years ended December 31, 2018, 2017 and 2016. All transactions with related parties are reflected in our consolidated financial statements. See note 11 to our 2018 Financial Statements and note 11 to our 2018 Financial Statements.

	As of December 31,		
	2018	**2017**	**2016**
		(in millions of U.S.$)	
Assets			
Alperton	—	381.1	338.0
FPSO Cidade de Ilhabela	—	—	1.6
FPSO CapixabaVenture S.A.	—	0.9	0.9
FPSO Cidade de Saquarema	—	—	0.1
FPSO Cidade de Paraty	—	—	0.8
FPSO Cidade de Maricá FPSO Cidade de Paraty	—	—	0.4
Tupi Nordeste Operações Marítimas Ltda.	0.2	0.4	0.8
Alfa Lula Alto Operações Marítimas Ltda.	0.2	0.2	0.3
Guará Norte Operações Marítimas Ltda.	0.2	0.2	0.6
Alfa Lula Alto Holding Ltd.	0.1	0.2	0.1
Beta Lula Central Holding Ltd.	0.1	0.3	0.1
Guará Norte Holding Ltd.	0.1	0.1	1.1
Others	0.1	0.2	0.3
Total	**1.0**	**388**	**345.4**
Liabilities			
Alperton Capital Ltd	—	345.0	309.9
QG S.A.	0.2	1.4	2.0
Total	**0.2**	**346.4**	**311.9**
Income (Expenses)			
Alperton	6.4	8.0	6.9
FPSO Cidade de Ilhabela	—	—	2.2
QG S.A.	(0.5)	(1.4)	(1.4)
Espírito do Mar.	—	—	(1.8)
FPSO Cidade de Paraty	—	—	1.5
FPSO Cidade de Maricá	—	—	1.7
SBM Luxembourg	—	—	16.0
Tupi Nordeste Operações Marítimas Ltda.	1.3	1.2	1.5
Alfa Lula Alto Operações Marítimas Ltda.	1.0	1.0	1.2
Guará Norte Operações Marítimas Ltda.	1.0	10.9	1.2
Alfa Lula Alto Holding Ltd.	0.6	0.5	0.6
Beta Lula Central Holding Ltd.	0.6	0.5	0.3
Guará Norte Holding Ltd.	0.5	0.4	1.1
Others	*	*	0.1
Total			

* Less than U.S.$50,000.

Alperton Capital Ltd.

In 2010, we and Alperton signed shareholders' and loan agreements in order to construct, charter and operate two drillships for Petrobras, the Amaralina Star and the Laguna Star drillships, pursuant to which we held a 55% interest in each of Amaralina Star and Laguna Star and Alperton held the remaining 45% of the shares of each such entity.

Under these agreements, we committed to finance Alperton's 45% expenditures share on these projects. The receivables from Alperton refer to the loans receivable bearing interest at 12% per annum, annually compounded, up to the sixth anniversary of the sub-charter agreement with Petrobras. Thereafter, the loans receivable bear interest at 13% per annum, annually compounded. These loans are currently due and payable, with the Amaralina tranche having matured in September 2018 and the Laguna tranche having been accelerated in October 2018.

The amounts payable refer to intercompany loans provided by Alperton to Amaralina Star Ltd. and Laguna Star Ltd. with the same terms and conditions of our receivable amounts from Alperton.

The amounts of the loans receivable from Alperton was secured by:

- A second priority share pledge of Alperton's 45% shares in Amaralina Star Ltd. and Laguna Star Ltd. and other special purpose entities;
- A second priority mortgage over Amaralina Star and Laguna Star;
- An assignment of dividends payable to Alperton by Amaralina Star Ltd. and Laguna Star Ltd.; and
- An assignment of amounts payable to Alperton by Amaralina Star Ltd. and Laguna Star Ltd.

Effective as of September 21, 2018, Constellation Overseas acquired Alperton's 45% shares in Amaralina Star Ltd. and Laguna Star Ltd.

Under our agreements with Alperton, we charged a fee to Alperton for being the guarantor of Amaralina Star and Laguna Star drillships project financings and a fee for being the guarantor for importations under REPETRO. As of the fiscal years ending December 31, 2018 and 2017, the fees charged to Alperton, net of expenses, totaled U.S.$6.4 million and U.S.$8.0 million, respectively.

Constellation Overseas request for arbitration against Alperton

On August 7, 2018, Constellation Overseas filed a request for arbitration against Alperton under the parties' Shareholders' Agreements for Amaralina and Laguna. The dispute arises from the existence of a deadlock under the Shareholders' Agreements and involves the confirmation of the price at which Constellation Overseas was entitled to acquire Alperton's 45% shares in Amaralina Star Ltd. and Laguna Star Ltd. In accordance with the Shareholders' Agreements, the request for arbitration was filed with the International Chamber of Commerce ("**ICC**") under its 2017 Rules of Arbitration. For more information, see "Business—Legal Proceedings."

QG S.A.

The payable amount refers to the fee charged by QG S.A. for being the guarantor for imports under REPETRO.

Capixaba Venture

The shareholder loan to Capixaba Venture bears interest at LIBOR plus 0.5% p.a., with maturity in 2022, which is the end of the charter agreement period between SBM Espírito do Mar B.V. and Petrobras. As of December 31, 2018, the outstanding amount was fully repaid.

Tupi Nordeste Operações Maríto, as Ltda., Guará Norte Operações Marítimas Ltda., and Alpha Lula Alto Operações Marítimas Ltda.

As of December 31, 2018, the receivable amounts and the income from Tupi Nordeste Operações Marítimas Ltda., Guará Norte Operações Marítimas Ltda. and Alfa Lula Alto Operações Marítimas Ltda. relates to labor costs reimbursement regarding the operation of the FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, and FPSO Cidade de Maricá, respectively.

Guará Norte Holding Ltd., Alfa Lula Alto Holding Ltd., and Beta Lula Central Holding Ltd.

As of December 31, 2018, the receivable amount and the income from Guará Norte Holding Ltd., Alfa Lula Alto Holding Ltd. and Beta Lula Central Holding Ltd. relates to a management fee charged by the Group in respect

of the operating services rendered to the FPSO Cidade de Ilhabela, FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively.

TAXATION

The following discussion contains a description of certain material Luxembourg and United States federal income tax considerations that may be relevant to the purchase, ownership and disposition of Participating Notes by a holder. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of investing in and holding the Participating Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

This summary is based upon tax laws of Luxembourg and the United States as in effect on the date of this Offering Memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations.

Certain Luxembourg Tax Considerations

The following information is of a general nature only and does not purport to be a comprehensive description of all tax considerations that may be relevant to the Offering Memorandum. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not take into account the specific circumstances of particular investors. Investors should consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax purposes only. Any reference in the present section to a tax, duty, level, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax ("*impôt commercial communal*"), a solidarity surcharge ("*contribution au fonds pour l'emploi")*, as well as personal income tax ("*impôt sur le revenue*"). Investors may further be subject to net wealth tax ("*impôt sur la fortune*"), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge, invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Payments of principal, premium or interest can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable law, subject however to the application of the Luxembourg law of December 23, 2005, as amended, introducing a tax on certain payments of interest made to Luxembourg resident individuals (the "**Relibi Law**").

Payments of interest or similar income on debt instruments made or deemed to be made by a paying agent (within the meaning of the Relibi Law) established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax at a rate of 20%. Such tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of its private wealth.

An individual beneficial owner of interest or similar income (within the meaning of the Relibi Law) who is a resident of Luxembourg and acts in the course of the management of its private wealth may opt in accordance with the Relibi Law for a final tax of 20% when he receives or is deemed to receive such interest or similar income from a paying agent established in an EU Member State (other than Luxembourg) or in a Member State of the European Economic Area which is not an EU Member State. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 20% levy must cover all interest payments made to the Luxembourg resident beneficial owner during the entire civil year. The resident individual that is the beneficial owner of interest is responsible for the declaration and the payment of the 20% final tax.

Income Tax Considerations of Luxembourg Resident Corporate Holders of Participating Notes

A Luxembourg resident corporate holder must include any benefit realized from the Participating Notes in its taxable income for Luxembourg income tax purposes, unless such holder is exempt from tax or the Participating Notes fail to be treated as a tax exempt asset for the holder.

Income Tax Considerations of Luxembourg Resident Individual Holder of Participating Notes

An individual holder of Participating Notes, acting in the course of the management of its private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Participating Notes (including accrued interest), except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law or (ii) the individual holder of the Participating Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg) or in a Member State of the European Economic Area (other than an EU Member State). A gain realized by an individual holder of Participating Notes, acting in the course of the management of its private wealth, upon the sale or disposal, in any form whatsoever, of Participating Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Participating Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

Income Taxation of Non-Resident Holders of Participating Notes

Non-resident holders who do not have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which or to whom the Participating Notes or income therefrom are attributable, are not subject to Luxembourg income tax on the income derived from the Participating Notes.

Non-resident corporate or individual holders acting in the course of the management of a professional or business undertaking and who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which or whom the Participating Notes or income therefrom are attributable are subject to Luxembourg income tax on any income from the Participating Notes (including accrued interest) as well as any gain realized upon the sale of the Participating Notes.

Net wealth tax

An individual holder of Participating Notes, whether resident in Luxembourg or not, is not subject to Luxembourg net wealth tax on such Participating Notes.

A resident corporate holder of Participating Notes or non-resident corporate holder of Participating Notes that maintains a permanent establishment, permanent representative or a fixed place of business in Luxembourg to which such Participating Notes are attributable, is subject to Luxembourg net wealth tax on such Participating Notes, except if such holder is exempt from net wealth tax or the Participating Notes fail to be treated as a tax exempt asset for the holder.

Other Taxes

It is not compulsory that the Participating Notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the issuance of the Participating Notes. No Luxembourg registration tax, stamp duty or other similar tax or duty is due either in case of a subsequent repurchase, redemption or transfer of the Participating Notes.

A fixed or *ad valorem* registration duty in Luxembourg may however apply (i) upon voluntary registration (*présentation à l'enregistrement*) of the Participating Notes before the Registration and Estates Department (*Administration de l'enregistrement, des domains et de la TVA*) in Luxembourg, or (ii) if the Participating Notes are (a) enclosed to a compulsory registrable deed under Luxembourg law (*acte obligatoirement enregistrable*) or (b) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*).

Gift and inheritance tax

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the Participating Notes unless the holder of Participating Notes resides in Luxembourg at the time of his or her decease. No Luxembourg gift tax is due upon the donation of Participating Notes to the extent such donation is not registered in Luxembourg.

Value added tax

No Luxembourg value added tax is levied with respect to (i) any payment made in consideration of the issuance of the Participating Notes, (ii) any payment of interest, (iii) any repayment of principal or upon redemption, and (iv) any transfer of the Participating Notes.

Exchange of information

Pursuant to the law of December 18, 2015, applicable as of January 1, 2016, all interest and interest-assimilated payments made or ascribed by a Luxembourg paying agent to or for the immediate benefit of individuals resident and residual entities established in another EU Member State within the scope of the Council Directive 2014/107/EU of December 9, 2014 modifying Council Directive 2011/16/EU of February 15, 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as regards mandatory automatic exchange of information in the field of taxation, are subject to automatic exchange of information between Luxembourg and the Relevant Member State(s).

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences related to the participation by a U.S. Holder (as defined below) of Existing 2024 Notes in this Rights Offering and the acquisition, ownership and disposition of Participating Notes (as defined herein). This discussion applies only to U.S. Holders that hold the Existing 2024 Notes and Participating Notes as capital assets (generally, assets held for investment), and does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply to U.S. Holders subject to special rules, such as:

- certain financial institutions,
- insurance companies,
- regulated investment companies,
- dealers or traders in securities who use a mark to market method of tax accounting,
- persons holding Notes as part of a straddle or integrated transaction or persons entering into a constructive sale with respect to Notes,
- tax-exempt entities,
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar,
- persons that are treated as owning 10% or more of the vote or value of the Company's shares, or
- entities classified as partnerships for U.S. federal income tax purposes.

If a partnership or other entity that is classified as a partnership for U.S. federal income tax purposes holds Existing 2024 Notes or the Participating Notes, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partnerships holding Existing 2024 Notes or Participating Notes and partners therein should consult their tax advisers as to the U.S. federal income tax consequences of participating in this Rights Offering and the ownership and disposition of the Existing 2024 Notes or the Participating Notes.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations (the "**Regulations**") as of the date of this Rights Offering, changes to any of which subsequent to the date of this Rights Offering may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. Holders should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of an Existing 2024 Notes or a Participating Note that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (a) a court within the United States is able to exercise primary jurisdiction over its administration, and one or more United States persons have the authority to control all of its substantial decisions, or (b) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

U.S. Holders that use an accrual method of accounting for U.S. federal income tax purposes may be required to accrue income earlier than would be the case under the general tax rules described below. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential application of this legislation to their particular situation.

Tax Considerations to U.S. Holders

Pursuant to the RJ Plan and in accordance with the Bankruptcy Code, the Existing 2024 Notes of each holder shall be cancelled in consideration for either Participating Notes or Non-Participating Notes. A U.S. holder that validly subscribes for and purchases its pro rata share of the First Lien Tranche in accordance with the terms of the Rights Offering, will receive the Participating Notes, which shall consist of such U.S holder's (i) purchased First Lien Tranche, (ii) right to receive a portion of the Second Lien Tranche and (iii) right to receive a portion of the Third Lien Tranche. A U.S holder that does not validly subscribe for and purchase its pro rata share of the First Lien Tranche, in accordance with the terms of the Rights Offering, will instead receive the Non-Participating Notes.

As noted above, the First Lien Tranche, together with the Second Lien Tranche and Third Lien Tranche are referred to herein as the "Underlying Tranches". The Underlying Tranches of the Participating Notes may not be separately transferred and, thus, will be treated as an investment unit that should be treated as a single debt instrument for U.S. federal income tax purposes rather than three separate debt instruments for U.S. federal income tax purposes and the remainder of this discussion assumes such treatment.

The tax consequences of the receipt of the Participating Notes in exchange of Existing 2024 Notes pursuant to the Rights Offering and the RJ Plan will depend on whether the relevant exchange is treated as resulting in a "significant modification" of the Existing 2024 Notes and thus, subject to the discussion in the next paragraph, a taxable exchange of such Existing 2024 Notes for the Participating Notes. Any such exchange will constitute a significant modification of such Notes if, based on all of the relevant facts and circumstances and taking into account all of the differences between the terms of the Existing 2024 Notes and the Participating Notes, collectively, the legal rights or obligations of exchanging holders are altered in an "economically significant" manner as determined under the Regulations. A change in yield of a debt instrument is a significant modification under the applicable regulations if the yield of the modified instrument (determined taking into account any accrued interest and any payments made to the holder as consideration for the modification) varies from the yield on the unmodified instrument (determined as of the date of the modification) by more than the greater of 0.25% of the "adjusted issue price," or 5% of the annual yield of the unmodified instrument. The yield of the unmodified instrument is calculated based on the adjusted issue price and may differ from the yield at which the instrument is trading in the market. Additionally, a change in the timing of payments on a debt instrument is a significant modification if the change in timing of payments (including any resulting change in the amount of payments) results in the material deferral of scheduled payments either through an extension of the final maturity or through deferral of payments due prior to maturity. There is a safe harbor period of the lesser of fifty percent of the original term of the instrument and five years from the original due date of the first payment that is deferred. The deferral of one or more scheduled

payments within the safe harbor is not a material deferral if the deferred payments are unconditionally payable no later than at the end of the safe-harbor period.

The Company to the extent it is required to take a position, intends on treating the surrender of the Existing 2024 Notes and receipt of the Participating Notes as constituting a significant modification of the Existing 2024 Notes and, thus, a deemed exchange of such Existing 2024 Notes for the Participating Notes (the "Exchange") for U.S. federal income tax purposes.

Accordingly, a U.S. Holder will recognize gain or loss on the Exchange (subject in the case of loss to the potential application of the "wash sale" rules) unless the Exchange is treated as a "recapitalization" within the meaning of Section 368(a)(1)(E) of the Code. The Exchange will be treated as a recapitalization if both the Existing 2024 Notes and the Participating Notes constitute "securities" within the meaning of the provisions of the Code governing reorganizations. This, in turn, depends upon the terms and conditions of, and other facts and circumstances relating to, the Existing 2024 Notes and the Participating Notes. The term of the notes is usually regarded as one of the most significant factors for the determination of whether notes are "securities" for U.S. federal income tax purposes. Instruments with a term of five (5) years or less generally have not qualified as securities, whereas instruments with a term of ten (10) years or more generally have qualified. The Internal Revenue Service ("IRS") has publicly ruled in Revenue Ruling 2004-78 (the "Ruling") that a debt instrument with a term of two (2) years may be a "security" if received in a reorganization in exchange for an instrument having substantially the same maturity date and terms (other than interest rate) where the original instrument was a "security" with a term of more than five (5) years. The Existing 2024 Notes have a term of seven (7) years, and the Participating Notes have a term of five (5) years. Although the matter is not free from doubt, the Company intends to take the position that the Exchange of Existing 2024 Notes for Participating Notes is treated as a recapitalization, although the IRS may take a contrary position. U.S. Holders should consult their tax advisors regarding the treatment of the exchange as a recapitalization for U.S. federal income tax purposes.

If the Exchange is properly treated as a recapitalization for U.S. federal income tax purposes, a U.S. Holder that surrenders its Existing 2024 Notes would not recognize any gain or loss in respect of the Exchange. However, a U.S. Holder could recognize ordinary income upon the receipt of additional principal in respect of accrued and unpaid interest on the Existing 2024 Notes ("**Additional Principal**") (as described below under "*—Receipt of Additional Principal for Existing 2024 Notes Accrued Interest*"). A U.S. Holder's holding period for the Participating Notes received other than the portion attributable to the purchased First Lien Tranche and the Additional Principal would include the period of time during which the U.S. Holder held the corresponding Existing 2024 Notes, and the holding period for the portion of the Participating Notes attributable to the First Lien Tranche and the Additional Principal Amount should commence on the date immediately following the Settlement Date. A U.S. Holder's initial tax basis in the Participating Notes would equal the sum of (a) the U.S. Holder's adjusted tax basis in the Existing 2024 Notes immediately prior to the Exchange, (b) the amount of cash paid by the U.S Holder pursuant to this Rights Offering for the First Lien Tranche, and (c) such Holder's adjusted basis in the Additional Principal.

If, contrary to the issuer's expectation, the Exchange does not qualify as a recapitalization for U.S. federal income tax purposes, a U.S. Holder would recognize gain or loss (subject in the case of loss to the potential application of the "wash sale" rules) equal to the difference, if any, between the amount realized in respect of the Participating Notes received (other than Additional Principal) and the U.S. Holder's adjusted tax basis in the Existing 2024 Notes. The amount realized would be equal to the "issue price" of the Participating Notes (determined as described below). Subject to the application of the market discount rules discussed below, any gain or loss would be capital gain or loss and would be long-term capital gain or loss if at the time of the exchange the U.S. Holder had held the Existing 2024 Notes for more than one year. The deduction of capital losses for U.S. federal income tax purposes is subject to limitations. Any gain or loss would generally be U.S.-source income for purposes of computing a U.S. Holder's foreign tax credit limitation. A U.S. Holder's holding period for such Participating Notes would commence on the date immediately following the Settlement Date and the U.S. Holder's initial tax basis in such Participating Notes would be equal to their "issue price" (determined as described below).

The issue price of the Participating Notes will depend on whether they are "publicly traded" within the meaning of applicable Regulations. If the Participating Notes are publicly traded, the issue price Participating Notes should equal the sum of the fair market value of the Participating Notes on the Settlement Date and the Maximum Principal Amount. If the Participating Notes are not publicly traded but the Existing 2024 Notes are publicly traded, the issue

price of the Participating Notes should be equal to the sum of the fair market value of the Existing 2024 Notes on the date of the Exchange and the Maximum Principal Amount. However, if neither the Existing 2024 Notes nor the Participating Notes are publicly traded, the issue price of the Participating Notes should be equal to the aggregate principal amount of the Underlying Tranches. Within forty-five (45) days of the issuance of the Participating Notes, the Company will make reasonably available its determination as to whether the Participating Notes were considered publicly traded as of the applicable Settlement Date, as well as the issue price and the amount of original issue discount of the Participating Notes.

If an exchange is treated as a wash sale within the meaning of Section 1091 of the Code (and not as a recapitalization), any loss recognized by a U.S. Holder resulting from the Exchange would be deferred. U.S. Holders should consult their own tax advisors regarding whether the exchange may be subject to the wash sale rules.

Receipt of Additional Principal for Accrued Interest on the Existing 2024 Notes

A U.S. Holder that is an accrual method taxpayer and that receives Additional Principal generally should not recognize any taxable income on the receipt of such Additional Principal. Such a U.S. Holder's adjusted tax basis in the portion of the Participating Notes received that represents Additional Principal generally should equal the amount of accrued and unpaid interest on the Existing 2024 Notes exchanged therefor.

A U.S. Holder that is a cash method taxpayer and that receives Additional Principal generally will recognize an amount of ordinary income equal to the fair market value on the Settlement Date of the Additional Principal received, which value should represent such U.S. Holder's adjusted tax basis in the portion of the Participating Notes received in the Exchange that represents the Additional Principal.

A U.S. Holder's holding period for the portion of the Participating Notes that represents the Additional Principal would commence on the date immediately following the Settlement Date.

Market Discount

If, as the issuer expects, the exchange is treated as a recapitalization, any accrued market discount on the Existing 2024 Notes not treated as ordinary income upon such exchange would carry over to the Participating Notes received to the extent such market discount exceeds original issue discount ("**OID**"), on the Participating Notes as discussed below. Subject to a *de minimis* rule, any gain recognized by the U.S. Holder upon a subsequent disposition of Participating Notes with carried over market discount ("**Market Discount Notes**") would be treated as ordinary income to the extent of any carried over accrued market discount not previously included in income.

If, contrary to the Company's expectations, the exchange is not treated as a recapitalization, (subject to a *de minimis* rule) any gain recognized on the exchange of Existing 2024 Notes for Participating Notes generally would be characterized as ordinary income to the extent of the accrued market discount, if any, on such Existing 2024 Notes as of the Settlement Date.

U.S. Holders who acquired their Existing 2024 Notes other than at original issuance should consult their own tax advisors regarding the possible application of the market discount rules of the Code to a tender of the Existing 2024 Notes pursuant to the RJ Plan.

Tax Consequences to U.S. Holders of the Participating Notes

Tax Treatment of the Participating Notes

As discussed above, we intend to treat the Participating Notes as a single debt instrument for U.S. federal income tax purposes rather than three separate debt instruments. Accordingly, the yield and characterization of the Participating Notes for U.S. federal income tax purposes will be determined by aggregating the separate cash flows of interest and principal on each of the Underlying Tranches.

To the extent the Company is required to take a position, it intends to take the position that the Participating Notes should not be treated as "contingent payment debt instruments" ("**CPDIs**") for U.S. federal income tax purposes. However, the Regulations that determine whether a debt instrument is a CPDI are highly technical and

there is uncertainty regarding the appropriate U.S. federal income tax treatment of instruments such as the Participating Notes issued under similar facts and circumstances. No rulings have been or will be sought from the IRS on this matter. In certain circumstances (for example, if the Excess Cash Flow requirements are triggered) the Company may be obligated to make certain payments on the Participating Notes, the timing and amount of which may not be certain. The applicable Regulations state that, for purposes of determining whether a debt instrument is a CPDI, a debt instrument that provides for an alternative payment schedule applicable upon the occurrence of a contingency will not be treated as a CPDI if (A) the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (B) based on all the facts and circumstances as of the issue date, a single payment schedule is significantly more likely than not to occur. The Participating Notes are mandatorily prepaid, in part, if there is Excess Cash Flow. The Company believes, and intends to take the position, that the single payment schedule that is significantly more likely than not to occur (as discussed below under – "*Interest Payments on the Participating Notes; Original Issue Discount*") is the payment schedule in which the Excess Cash Flow payment on the Participating Notes is assumed to occur. The Company's determination that the Participating Notes should not be treated as CPDIs is not binding on the IRS. If the IRS successfully challenged this position, and the Participating Notes were treated as CPDIs, U.S. Holders may be required to recognize income for U.S. federal income tax purposes at different times and in different amounts than described below, to treat any income realized on a taxable disposition of a Participating Note as ordinary income rather than capital gain, and to suffer additional adverse U.S. federal income tax consequences. The Company's determination that the Participating Notes should not be treated as CPDIs is binding on a U.S. holder unless such holder discloses its contrary position in the manner required by the applicable U.S. Treasury regulations.

Except as otherwise noted, the remainder of the disclosure assumes that the Participating Notes will properly be treated as indebtedness other than CPDIs for U.S. federal income tax purposes. U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences in the event the Participating Notes are treated differently for U.S. federal income tax purposes.

Interest Payments on the Participating Notes; Original Issue Discount

The Participating Notes will be treated as issued with OID because the "stated redemption price at maturity" of the Participating Notes will exceed the "issue price" (as determined above) by more than a statutorily defined *de minimis* amount. The "stated redemption price at maturity" of the Participating Notes is the sum of all payments required to be made on the Participating Notes other than "qualified stated interest" payments. "Qualified stated interest" is interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. As described under the Indenture, for interest payment dates falling on or prior to November 9, 2021, the full amount of interest due on such interest payment dates (10%) will be PIK Interest and for interest payment dates falling after November 9, 2021 through 2024, a portion of the interest due on such interest payment date will be paid with PIK Interest (i.e., 1%) and a portion will be paid in cash (9.00%). For U.S. federal tax purposes, the PIK Interest and the Participating Notes issued pursuant to this Rights Offer will be treated as a single debt instrument for purposes of computing and accruing OID on, and determining a U.S. holder's tax basis in, the Participating Notes, as described below. For these purposes, the payment of PIK Interest will not be considered to be a payment on the Participating Notes.

For U.S. federal income tax purposes, the existence of the PIK Interest feature means that none of the stated interest on the Participating Notes will be "qualified stated interest." Accordingly, all stated interest on the Participating Notes will be treated as OID for U.S. federal income tax purposes. In addition, any difference between the "issue price" of the Participating Notes (determined as described above) and the principal amount of the Participating Notes will also constitute OID for U.S. federal income tax purposes. For these purposes, under the OID rules, a U.S. Holder (other than a U.S. Holder that is treated as having acquired the Participating Notes with premium as discussed below under "*—Treatment of Premium and Acquisition Premium*") will be required to include the aggregate OID on the Participating Notes in gross income as ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method, possibly in advance of the receipt of cash attributable to that income, regardless of such U.S. Holder's regular method of tax accounting.

In general, the amount of OID included in income by a U.S. Holder of a Participating Note will be the sum of the "daily portions" of OID on such Participating Note for all days during the taxable year that the U.S. Holder held such Participating Note. The daily portions of OID are determined by allocating to each day in an accrual period a

ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of the Participating Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of OID on a Participating Note allocable to each accrual period is determined by multiplying the "adjusted issue price" (as defined herein) of the Participating Note at the beginning of the accrual period by the "yield to maturity" (as defined herein) of such Participating Note (appropriately adjusted to reflect the length of the accrual period). The yield to maturity of a Participating Note is the discount rate that causes the present value of all payments on the Participating Note as of its issue date to equal the issue price of the Participating Note. The adjusted issue price of a Participating Note at the beginning of an accrual period will generally be the sum of its issue price (determined as set forth above) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all cash payments made with respect to such Participating Note in all prior accrual periods. The issue date of the Participating Notes will be the Settlement Date.

For purposes of computing the yield to maturity of the Participating Notes and the amount of OID attributable to each accrual period, as discussed above under "*—Tax Treatment of the Participating Notes*", the Company intends to take the position that the Company and each holder are entitled to use the payment schedule in which the Excess Cash Flow payment on the portion of the Participating Notes that is attributable to the First Lien Tranche is assumed to occur. This assumption is made solely for U.S. federal income tax purposes and does not constitute a representation by the Company regarding the likelihood that the Excess Cash Flow payment on the Participating Notes will occur. If, contrary to this assumption, the Excess Cash Flow payment does not actually occur, then solely for the purposes of computing the OID accruals on the Participating Notes going forward, the Participating Notes will be treated as retired and reissued on the date of such change in circumstances for an amount equal to their then adjusted issue price and the yield to maturity on the Participating Notes will be predetermined taking into account such change in circumstances.

OID accrued by a U.S. Holder generally will be treated as foreign source ordinary income and generally will be considered "passive" income in computing the foreign tax credit such holder may take under U.S. federal income tax laws. The availability of a foreign tax credit is subject to certain conditions and limitations and the rules governing the foreign tax credit are complex. U.S. Holders should consult their own tax advisers regarding the rules governing the foreign tax credit and deductions.

Treatment of Premium and Acquisition Premium

If a U.S. Holder's tax basis upon acquisition of a Participating Note under the Exchange is greater than the Participating Note's stated redemption price at maturity (i.e., the sum of all amounts payable on the Participating Notes other than payments of qualified stated interest), the U.S. Holder will be considered to have acquired the Participating Notes with "premium," and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Participating Notes. Accordingly, such U.S. Holder would not be required to include OID in income with respect to the Participating Notes. An election to amortize such premium, once made, generally applies to all securities held or subsequently acquired by the U.S. Holder on or after the beginning of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. Holder that elects to amortize such premium must reduce its tax basis in the Participating Notes by the amount of the premium amortized during its holding period. With respect to a U.S. Holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. Holder's tax basis when the Participating Notes mature or are disposed of by the U.S. Holder. Therefore, a U.S. Holder that does not elect to amortize such premium and that holds the Participating Notes to maturity generally will be required to treat the premium as a capital loss when the Participating Notes mature.

A U.S. Holder that has an adjusted basis in a Participating Note immediately after the Exchange which is less than or equal to the stated redemption price at maturity and greater than the issue price of the Participating Note (any such excess being "acquisition premium") and that does not have in effect an election to accrue all interest on the Participating Note on a constant yield basis, may reduce the daily portions of OID, if any, on the Participating Note by a fraction, the numerator of which is the excess of the U.S. Holder's basis in its Participating Note immediately after the exchange over the Participating Note's issue price, and the denominator of which is the excess of the sum of all amounts payable on the Participating Note after the date of the acquisition over the Participating Note's issue price.

Sale, Exchange, Redemption, Retirement or other Taxable Disposition of Participating Notes

Upon the sale, exchange, retirement or other taxable disposition of a Participating Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as interest, and such U.S. Holder's adjusted tax basis in the Participating Note as determined above under "*—Tax Considerations for U.S. Holders*," increased by the amount of accrued OID, if any, and the amount of market discount, if any, that a U.S. Holder has elected to include in its gross income, and decreased by the amount of premium, if any, that the U.S. Holder has elected to amortize with respect to the Participating Notes. Any such gain or loss will be capital gain or loss except to the extent attributable to market discount as described below. Long-term capital gains recognized by a non-corporate U.S. Holder generally are subject to U.S. federal income taxation at preferential rates. A U.S. Holder's gain or loss realized on the sale, exchange, retirement or other disposition of a Participating Note generally will be treated as U.S. source gain or loss, as the case may be. Consequently, a U.S. Holder may not be able to claim a credit for any foreign tax imposed upon a disposition of a Participating Note, if any, unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. The deductibility of capital losses is subject to limitations.

Treatment of Market Discount

Upon disposition or receipt of a partial or full principal payment on a Participating Note that is a Market Discount Note, any gain will be treated as foreign source ordinary income to the extent that the gain is attributable to market discount not previously included in gross income. Generally, a U.S. Holder's market discount is accrued on a ratable basis, or, at the U.S. Holder's election, on a constant yield basis. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS.

Substitution of the Issuer

The Company may, subject to certain conditions, be replaced and substituted by any Wholly-owned Subsidiary of the Company as principal debtor in respect of the Participating Notes (see Section 12.01 (*Substitution of the Issuer*) under the Indenture"), which may result in certain adverse tax consequences to holders (including possible recognition of capital gain or loss for U.S. federal income tax purposes). U.S. Holders are urged to consult their own tax advisors regarding any potential adverse tax consequences to them that may result from a substitution of the issuer.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the Participating Notes, subject to certain exceptions (including an exception for Participating Notes held in accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Participating Notes.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest (including payments of any accrued OID) on, an obligation and to proceeds of the sale or redemption of an obligation, to certain U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, Participating Notes, and to proceeds from the sale or redemption of, Participating Notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient that, if required, establishes its exemption and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a financial intermediary that is a United States person or has certain connection with the United States, on a Participating Note to a U.S. Holder, other than an exempt recipient that has certified exempt status, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A U.S. Holder generally will be entitled to credit any amounts

withheld under the backup withholding rules against such holder's U.S. federal income tax liability and the U.S. Holder may be entitled to a refund, provided the required information is furnished to the IRS in a timely manner.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THIS RIGHTS OFFERING AND TO THE OWNERSHIP AND DISPOSITION OF THE PARTICIPATING NOTES PURSUANT TO THIS RIGHTS OFFER. U.S. HOLDERS OF EXISTING 2024 NOTES AND PROSPECTIVE HOLDERS OF PARTICIPATING NOTES SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

JURISDICTIONAL RESTRICTIONS

The distribution of the Offering Memorandum is restricted by law in certain jurisdictions. Persons into whose possession this Offering Memorandum comes are required to inform themselves of and to observe any of these restrictions. This Offering Memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. None of us, the Trustee, the Collateral Trustee, the Subscription Agent or the Information Agent accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

Selling Restrictions

Prohibition of Sales to EEA Retail Investors

The Subscription Rights shall not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Subscription Rights to be offered so as to enable an investor to decide to effectuate the Subscription Rights.

Notice to Prospective Investors in the EEA

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") no Subscription Rights may be offered to the public in that Relevant Member State other than:

(A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(B) to fewer 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(C) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Subscription Rights shall require the Company to publish a Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purpose of the above provisions, the expression "**an offer to the public**" in relation to any Subscription Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Subscription Rights to be offered so as to enable an investor to decide to effectuate its Subscription Rights , as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (including the 2010 PD Amending Directive) and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum is only being distributed to, and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. The Subscription Rights are only available to, and any invitation, offer or agreement to subscribe to, purchase or otherwise acquire the Subscription Rights will be engaged in only with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Japan

The Subscription Rights have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and will not be offered or sold directly or indirectly in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law of Japan and (ii) in compliance with any other relevant laws of Japan.

Notice to Residents of Hong Kong SAR

The Subscription Rights will not be offered or sold in Hong Kong SAR, by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong SAR, and no invitation, document or advertisement relating to the Subscription Rights, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong SAR (except if permitted to do so under the securities laws of Hong Kong SAR) other than with respect to Subscription Rights which are or are intended to be disposed of only to persons outside Hong Kong SAR or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR and any rules made under that ordinance has been or will be issued whether in Hong Kong SAR or elsewhere.

Notice to Prospective Investors in Singapore

This Offering Memorandum has not been registered as an offering memorandum with the Monetary Authority of Singapore and the Subscription Rights (and the First Lien Tranche) will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for the Rights Offering may not be circulated or distributed, nor may the Subscription Rights be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Subscription Rights are subscribed or purchased under Section 275 of the SFA by a relevant person, which is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 of the SFA,

except:

(A) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(B) where no consideration is or will be given for the transfer;

(C) where the transfer is by operation of law;

(D) as specified in Section 276(7) of the SFA; or

(E) as specified in Regulation 37A of the Securities and Futures (Offers of Investments)(Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with section 309B(1)(c) of the SFA, these are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the Subscription Rights which are the subject of the offering contemplated by this Offering Memorandum, does not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The Subscription Rights will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the Subscription Rights, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Subscription Rights are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the Subscription Rights with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document as well as any other material relating to the Subscription Rights is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in Brazil

The Subscription Rights have not been, and will not be, registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without such prior registration under Law No. 6,385/76, as amended (Lei do Mercado de Capitais) (the "**Capital Markets Law**") and CVM Rule No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the Rights Offering, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Subscription Rights is not a public offering of securities in Brazil) nor may they be used in connection with any offer for subscription or sale of the Subscription Rights to the public in Brazil. The Subscription Rights will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Prospective investors wishing to offer or acquire the Subscription Rights within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Notice to Prospective Investors in the British Virgin Islands

The Subscription Rights have not been, and will not be, offered to the public or to any person in the British Virgin Islands. Subscription Rights notes may be offered to companies incorporated under the BVI Business Companies Act, 2004, or BVI Companies, but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This Offering Memorandum has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered offering memorandum has been or will be prepared in respect of the Subscription Rights for the purposes of the Securities and Investment Business Act, 2010, or SIBA, or the Public Issuers Code of the British Virgin Islands.

TRANSFER RESTRICTIONS

The Participating Notes have not been registered, and will not be registered, under the U.S. Securities Act or any other applicable securities laws, and the Participating Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Rights Offering is being made only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Participating Notes and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(i) It is purchasing the Participating Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States.

(ii) It acknowledges that the Participating Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(iii) It understands and agrees that Participating Notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that Participating Notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes.

(iv) It will not resell or otherwise transfer any of such Participating Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.

(v) It agrees that it will give to each person to whom it transfers the Participating Notes notice of any restrictions on transfer of such notes.

(vi) It acknowledges that prior to any proposed transfer of Participating Notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such Participating Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture.

(vii) It acknowledges that the Trustee, registrar or transfer agent for the Participating Notes will not be required to accept for registration transfer of any Participating Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

(viii) It acknowledges that we and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Participating Notes are no longer accurate, it will promptly notify us. If it is acquiring the Participating Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the Company or any subsidiary thereof, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above. This legend may be removed solely at the discretion and at the direction of the Company."

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration."

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interest in global notes and certificated notes, see the "Book Entry, Delivery and Form."

BOOK ENTRY, DELIVERY AND FORM

The Participating Notes issued to Eligible Holders that are qualified institutional buyers will be in reliance on Rule 144A (the "**Rule 144A notes**"). The Participating Notes also may be offered and sold in offshore transactions in reliance on Regulation S (the "**Regulation S notes**"). The Participating Notes will be issued at the closing of this offering only against payment in immediately available funds.

Notes issued to Eligible Holders that are qualified institutional buyers (the "**Rule 144A notes**") initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "**Rule 144A global notes**"). Notes issued to Eligible Holders that are non-U.S. Persons (the "**Regulation S notes**") initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "**Regulation S global notes**") and, together with the Rule 144A global notes (the "**global notes**").

The global notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be held only through Euroclear and Clearstream (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S notes and Rule 144A notes."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants with applicable portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the Rule 144A global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have Participating Notes registered in their names, will not receive physical delivery of Participating Notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the issuer and the Trustee will treat the persons in whose names the Participating Notes, including the global notes, are registered as the owners of the Participating Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the issuer, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the issuer, nor the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Participating Notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of Participating Notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the Participating Notes, and the issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Participating Notes described herein, cross market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of Participating Notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the Participating 2024 Notes as to which such participant or participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form ("**certificated notes**") if:

(1) DTC (a) notifies the issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act; or

(2) The issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the certificated notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Exchanges between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:

- who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
- purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
- in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the Trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

INDEPENDENT AUDITORS

The 2018 Financial Statements and 2017 Financial Statements included in this Offering Memorandum have been audited by Deloitte Touche Tohmatsu Auditores Independentes, independent auditors, as stated in its report appearing herein.

The 2018 Financial Statements report expresses a disclaimer of opinion presenting the following conditions which indicate the existence of a material uncertainty that may cast significant doubts on our ability to continue as a going concern: (i) net working capital deficiency, mainly related to the current portion of our loans and financings and lower operating cash flow generation during the year then ended; (ii) an uncertainty on whether our debt balances may become immediately due and payable as a result of the non-compliance with certain restrictive debt covenants; and (iii) the RJ Plan, which was approved at the GCM on June 28, 2019 and ratiefied by the RJ Court on July 1, 2019. The audit report also mentions, as the basis for the disclaimer of opinion: (i) ratified funding and liquidity difficulties of Sete Brasil Participações S.A. and its subsidiaries to meet its operational and financial commitments and the inability to obtain sufficient evidence of independent auditor review of their financial statements; (ii) the absence of external confirmation of related-party balances and transactions with Alperton Capital Ltd. as well as potential effects of the ongoing arbitration with Alperton Capital Ltd.; and (iii) incomplete disclosure of information required under IAS 36 – Impairment of Assets.

The 2017 Financial Statements report expresses a disclaimer of opinion presenting the following conditions which indicate the existence of a material uncertainty that may cast significant doubts on our ability to continue as a going concern: (i) net working capital deficiency, mainly related to the current portion of our loans and financings and lower operating cash flow generation during the year then ended; (ii) an ongoing loans liability management process over which us, until the date of the report, were not able to conclude and, therefore, we filed the request for the RJ Plan; (iii) an uncertainty on whether our project financings debt balances may become due and payable in the short-term as a result of the non-compliance with certain restrictive debt covenants; and (iv) an operational scenario in which, except for the Laguna Star and Brava Star drillships and the Olinda Star and Atlantic Star offshore drilling rigs charter and service-rendering agreements, the remaining charter and service-rendering agreements are ended as at the date of the report and have not been renewed so far. The audit report mentions, as basis for disclaimer of opinion: (i) the funding and liquidity difficulties of Sete Brasil Participações S.A. and its subsidiaries to meet its operational and financial commitments and the inability to obtain sufficient evidence of independent auditor review of their financial statements; (ii) the absence of external confirmation of related-party balances and transactions with Alperton; (iii) incomplete disclosure of information required under IAS 36 – Impairment of Assets; and (iv) the non-compliance with certain restrictive non-financial debt covenants. The audit report also expresses an emphasis-of-matter paragraph related to: (1) the uncertainty of the outcome of the contingent liability of our investments in associate and joint venture entities held with SBM Offshore and its subsidiaries, related to operations in Brazil; and (2) the restatement of amounts related to the consolidated balance sheet as of December 31, 2017, and to the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the year then ended.

INDEX TO FINANCIAL STATEMENTS

APPENDIX A – RJ PLAN

[ATTACHED]

APPENDIX B – DRAFT PARTICIPATING NOTES INDENTURE

THIS IS AN INTERIM DRAFT OF THE INDENTURE (EXCLUDING EXHIBITS THERETO) (THE "DRAFT INDENTURE") IN RESPECT OF THE PROPOSED ISSUANCE OF THE PARTICIPATING NOTES BY THE COMPANY AS DESCRIBED HEREIN. THIS DRAFT INDENTURE HAS NOT BEEN FINALIZED AND, AFTER THE DATE OF THIS OFFERING MEMORANDUM AND PRIOR TO THE SETTLEMENT DATE, THE PROPOSED TERMS OF THE DRAFT INDENTURE MAY BE MODIFIED WITH THE CONSENT OF REQUIRED CREDITORS UNDER THE PSA (WHICH INCLUDES THE BACKSTOP INVESTORS) IN ACCORDANCE WITH THE TERMS OF THE RJ PLAN AND THE PSA. AS A RESULT, THE FINAL TERMS OF THE INDENTURE MAY BE DIFFERENT THAN THOSE INCLUDED IN THE DRAFT INDENTURE. BY ELECTING TO PARTICIPATE IN THIS RIGHTS OFFERING AND SUBSCRIBING FOR THE FIRST LIEN TRANCHE, TOGETHER WITH THE CORRESPONDING PRINCIPAL AMOUNT OF THE SECOND LIEN TRANCHE AND THE THIRD LIEN TRANCHE, YOU ACKNOWLEDGE AND AGREE THAT YOU UNDERSTAND THAT THE TERMS OF THE DRAFT INDENTURE MAY BE AMENDED WITHOUT YOUR CONSENT. SEE "RISK FACTORS—RISKS RELATING TO OUR RESTRUCTURING—THE DEFINITIVE DOCUMENTS RELATING TO THE NOVATED INDEBTEDNESS MAY BE MODIFIED PRIOR TO THE SETTLEMENT DATE WITH THE CONSENT OF THE REQUIRED CREDITORS PARTY TO THE PSA."

[ATTACHED]

APPENDIX C – DRAFT INTERCREDITOR AGREEMENT

THIS IS AN INTERIM DRAFT OF THE INTERCREDITOR AGREEMENT (EXCLUDING EXHIBITS THERETO) (THE "DRAFT INTERCREDITOR AGREEMENT") IN RESPECT OF THE COLLATERAL SECURING THE PARTICIPATING NOTES DESCRIBED HEREIN. THIS DRAFT INTERCREDITOR AGREEMENT HAS NOT BEEN FINALIZED AND, AFTER THE DATE OF THIS OFFERING MEMORANDUM AND PRIOR TO THE SETTLEMENT DATE, THE PROPOSED TERMS OF THE DRAFT INTERCREDITOR AGREEMENT MAY BE MODIFIED WITH THE CONSENT OF REQUIRED CREDITORS UNDER THE PSA (WHICH INCLUDES THE BACKSTOP INVESTORS) IN ACCORDANCE WITH THE TERMS OF THE RJ PLAN AND THE PSA. AS A RESULT, THE FINAL TERMS OF THE INTERCREDITOR AGREEMENT MAY BE DIFFERENT THAN THOSE INCLUDED IN THE DRAFT INTERCREDITOR AGREEMENT. BY ELECTING TO PARTICIPATE IN THIS RIGHTS OFFERING AND SUBSCRIBING FOR THE FIRST LIEN TRANCHE, TOGETHER WITH THE CORRESPONDING PRINCIPAL AMOUNT OF THE SECOND LIEN TRANCHE AND THE THIRD LIEN TRANCHE, YOU ACKNOWLEDGE AND AGREE THAT YOU UNDERSTAND THAT THE TERMS OF THE DRAFT INTERCREDITOR AGREMEEMENT MAY BE AMENDED WITHOUT YOUR CONSENT. SEE "RISK FACTORS—RISKS RELATING TO OUR RESTRUCTURING—THE DEFINITIVE DOCUMENTS RELATING TO THE NOVATED INDEBTEDNESS MAY BE MODIFIED PRIOR TO THE SETTLEMENT DATE WITH THE CONSENT OF THE REQUIRED CREDITORS PARTY TO THE PSA."

[ATTACHED]

APPENDIX D – SUBSCRIPTION FORM

[ATTACHED]

ISSUER
Constellation Oil Services Holding S.A.
8-10, Avenue de la Gare
L-1610 Luxembourg
Grand Duchy of Luxembourg

TRUSTEE
Wilmington Trust, National Association
50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
USA

LEGAL ADVISORS

to the issuer and the guarantors as to New York and United States law
White & Case LLP
Avenida Brigadeiro Faria Lima, 2277 – 4° andar
01452-000 São Paulo, SP
Brazil

to the issuer as to Brazilian law
Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados
Praia do Flamengo, 200
22210-901 Rio de Janeiro, RJ
Brazil

to the issuer as to Luxembourg and Dutch law
Loyens & Loeff Luxembourg S.à r.l.
18-20, rue Edward Steichen
L-2540 Luxembourg
Grand Duchy of Luxembourg

to the issuer as to British Virgin Islands and Cayman Islands law
Ogier
Ritter House Wickhams Cay II
PO Box 3170
Road Town, Tortola
British Virgin Islands VG1110

to the issuer as to Liberian law
Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
USA

FINANCIAL ADVISOR
Houlihan Lokey
245 Park Avenue
20th Fl.
New York, NY 10167

INDEPENDENT AUDITORS
Deloitte Touche Tohmatsu Auditores Independentes
Rua São Bento, 18, 15° and 16° Floors
20.090-010 - Rio de Janeiro, RJ
Brazil

ANY REQUIRED DOCUMENTS SHOULD BE SENT OR DELIVERED BY EACH HOLDER OF EXISTING 2024 NOTES OR SUCH HOLDER'S BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO THE INFORMATION AGENT AT ITS ADDRESS OR FACSIMILE NUMBER SET FORTH BELOW.

QUESTIONS AND REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO THE INFORMATION AGENT AT ITS TELEPHONE NUMBER AND MAILING AND DELIVERY ADDRESS LISTED BELOW. YOU MAY ALSO CONTACT YOUR BROKER, DEALER COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE FOR ASSISTANCE CONCERNING THE RIGHTS OFFERING.

The Information Agent for the Rights Offering is:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Attn: Andrew Beck

Banks and Brokers call: (212) 269-5550
Toll free: (800) 859-8511
Email: constellationoil@dfking.com

The Subscription Agent for the Rights Offering is:

Wilmington Trust, National Association
Suite 2 R, 166 Mercer Street
New York, NY 10012
Telephone: (212) 941-4439
Attention: Joe Clark
Email: jhclark@wilmingtontrust.com

July 17, 2019

EXHIBIT 2

Relevant Excerpts from the Participating Notes Indenture

CONSTELLATION OIL SERVICES HOLDING S.A.,
as Issuer,

the Subsidiary Guarantors from time to time party hereto,
as Subsidiary Guarantors,

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee, Paying Agent, Transfer Agent and Registrar

INDENTURE

Dated as of December 18, 2019

U.S.$609,742,060

10.00% PIK / CASH SENIOR SECURED NOTES DUE 2024

Comprised of

10.00% PIK / Cash Senior Secured First Lien Tranche due 2024

10.00% PIK / Cash Senior Secured Second Lien Tranche due 2024

10.00% PIK / Cash Senior Secured Third Lien Tranche due 2024

(9) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) any issuance of Disqualified Capital Stock otherwise permitted under Section 4.09 hereof;

(11) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person; and

(12) the creation of a Permitted Lien.

"*Asset Sale Offer*" has the meaning set forth under Section 4.10 hereof.

"*Asset Sale Offer Amount*" has the meaning set forth under Section 4.10 hereof.

"*Asset Sale Offer Payment Date*" has the meaning set forth under Section 3.09 hereof.

"*Asset Sale Transaction*" means any disposition by the Company or any Restricted Subsidiary of any property or assets of the Company or any Restricted Subsidiary not in the ordinary course of business, including, without limitation, (1) any sale or other disposition of Capital Stock and (2) any Designation with respect to an Unrestricted Subsidiary.

"*Assignment of Charter Agreement Receivables*" means an assignment of charter agreement receivables agreement or general security agreement by a Drilling Rig Owner in favor of the Collateral Trustee, granting a security interest in all rights, title, interest and benefits in all receivables (net of any taxes and retentions) due or payable to the Drilling Rig Owner under the related Encumbered Charter Agreement.

"*Authentication Order*" has the meaning set forth under Section 2.02 hereof.

"*Bankruptcy Law*" means articles 437 to 614 of the Luxembourg Commercial Code, the relevant provisions of the Luxembourg Act dated 10 August 1915, as amended, on commercial companies, the relevant provisions of the Luxembourg Civil Code, other proceedings listed at Article 13, items 2 to 12 and Article 14 of the Luxembourg Act dated December 19, 2002 on the Register of Commerce and Companies, on Accounting and on Annual Accounts of the Companies (as amended from time to time), and the Regulation (EU) No. 2015/848 of 20 May 2015 on insolvency proceedings, the British Virgin Islands bankruptcy law, the Insolvency Act 2003 and the Brazilian law, the Law n. 11.101, as of February 9th, 2005 (as amended, supplemented or modified from time to time), or any similar foreign law, as applicable, for the relief of debtors.

"*Bareboat Charterer*" means any Subsidiary of the Company acting as the bareboat charter operator under an Encumbered Charter Agreement.

"*beneficial owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof; *provided* that, if such Person has a dual board structure, the term "Board of Directors" shall refer to the board body responsible for the oversight of the business operations of such Person unless the members of such body may be replaced by action taken by the other board body (a "senior board"), in which case the term "Board of Directors" shall refer to the senior board.

Document, (i) references to the Notes include the Underlying Tranches and any related PIK Securities and (ii) references to "principal amount" of Notes include any increase in the principal amount of outstanding Underlying Tranches (including PIK Securities) as a result of a payment of PIK Interest.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest (including, without limitation, post-petition Interest), premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the Securities and the Note Guarantees, the Indenture.

"*Obligor*" on the Securities means the Company and any successor obligor upon the Securities.

"*Offering Memorandum*" means the rights offering memorandum, dated July 17, 2019, relating to the offer to subscribe for the First Lien Tranche.

"*Officer*" means the Chairman of the Board (if an executive), Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, General Counsel, Chief Accounting Officer, the Treasurer, the Controller, any Vice President, any director or any Secretary of the Company or any other authorized signatory if authorized by resolution of the Board of Directors of the Company.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Olinda BVI Proceeding*" means the proceeding commenced in the British Virgin Islands under Section 179A of the BVI Business Companies Act (as amended) relating to the Olinda Restructuring.

"*Olinda Restructuring*" means the restructuring of Olinda Star's debts.

"*Olinda Scheme*" means the scheme of arrangement filed on December 13, 2019 in the British Virgin Islands with the Eastern Caribbean Supreme Court (Virgin Islands) Commercial Court presiding over the Olinda BVI Proceeding.

"*Olinda Star*" means Olinda Star Ltd. (in provisional liquidation), a company limited by shares incorporated under the laws of the British Virgin Islands.

"*Olinda Star Disposition*" has the meaning set forth under Section 3.12 hereof.

"*Olinda Star Disposition Date*" has the meaning set forth under Section 3.12 hereof.

"*Olinda Star Disposition Redemption*" has the meaning set forth under Section 3.12 hereof.

"*Olinda Star Guarantee Condition*" means the Company shall have caused Olinda Star to become a Subsidiary Guarantor and provide a Note Guarantee under this Indenture in accordance with Section 10.05 hereof.

"*Olinda Star Noteholder Interference Event*" means the failure of the Company to satisfy the Olinda Star Guarantee Condition if such failure was caused by (A) any Noteholder Action, if the Noteholder Action is initiated before December 31, 2019 or (B) a majority in number representing 75% in value of the Scheme Creditors (as defined in the Olinda Scheme) or class of Scheme Creditors present and voting either in person or by proxy at the court convened meeting fail to vote in support of the Olinda Scheme or other Olinda Restructuring that is consistent with the terms laid out in Schedule 2.13 hereto upon written request from the Company and with at least 15 Business Days' notice (or, if such period is not possible, as early as practicably possible, and no fewer than one Business Day's notice).

"*Operating and Maintenance Expenses*" means collectively, without duplication, all (i) expenses of administering and operating the chartering and operation of, and maintenance of, a Drilling Rig (including all equipment necessary for the operation of such Drilling Rigs and all other assets affixed to

such Drilling Rig) incurred by the Company or its Subsidiaries, (ii) transportation costs payable by the Company or its Subsidiaries, (iii) direct operating and maintenance costs of the Drilling Rigs payable by the Company or its Subsidiaries (including amounts payable pursuant to related services agreements), (iv) insurance premiums related to a Drilling Rig payable by the Company or its Subsidiaries, (v) property, sales, value-added and excise taxes payable by the Company or its Subsidiaries in connection with a Drilling Rig, (vi) costs and fees incurred by the Company or its Subsidiaries in connection with obtaining and maintaining in effect the governmental approvals required in connection with a Drilling Rig and (vii) legal, accounting and other professional fees incurred in the ordinary course of business in connection with the Drilling Rig payable by the Company or its Subsidiaries; *provided*, that "Operating and Maintenance Expenses" shall not include depreciation, or any items properly chargeable by IFRS to fixed capital accounts.

"*Opinion of Counsel*" means a written opinion of counsel signed by legal counsel and delivered to the Trustee, who may be an employee of or counsel for the Company (except as otherwise provided in this Indenture), and who shall be reasonably acceptable to the Trustee, containing customary exceptions and qualifications and which shall not be at the expense of the Trustee.

"*Original Olinda Guarantee*" means that certain guarantee issued by Olinda Star on July 27, 2017 under the indenture dated July 27, 2017 among the Company, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee.

"*Participant*" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"*Paying Agent*" has the meaning set forth under Section 2.03 hereof.

"*Payor*" has the meaning set forth under Section 4.17 hereof.

"*Period End Date*" means the last day of (i) each fiscal year and (ii) each of the first three fiscal quarters of each year.

"*Permitted Business*" means (i) the business or businesses conducted by the Company, its Subsidiaries and other operating businesses as described in the Offering Memorandum as of the Issue Date, and (ii) any business reasonably ancillary, complementary, similar or related to the business or businesses provided for in clause (i) above.

"*Permitted Corporate Reorganization*" means any corporate reorganization or redomiciliation of the Company in (i) the Grand Duchy of Luxembourg, (ii) the United States of America, any State thereof or the District of Columbia, (iii) the Federative Republic of Brazil, (iv) the British Virgin Islands, (v) Panama, or (vi) any country which is a member country of the Organization for Economic Co-Operation and Development.

"*Permitted Holders*" means any or all of the following: (1) any member of the Queiroz Galvão Family, including any such member's spouse, children or heirs; (2) the estate or any guardian, custodian or other legal representative of any individual named in or any trust established solely for the benefit of any one or more individuals named in clause (1); (3) Capital International Private Equity Funds (including the funds, partnerships or other co-investment vehicles managed, advised or controlled thereby but other than, in each case, any portfolio company of any of the foregoing), (4) SUN STAR Fundo de Investimento em Participações Multestratégia Investimento no 1 Exterior, an equity investment fund (*Fundo de Investimento em Participações*) and (5) any Person or Group in which a majority of the total voting power of the Voting Stock are owned, directly or indirectly, by any one or more of the persons named in clauses (1), (2), (3) or (4).

(b) The Company shall

(1) apply U.S.$75.0 million to make Capital Expenditures on any asset that is part of the Collateral (the "*Required Collateral CapEx Spend*"); *provided* that the Company may elect to deem up to U.S.$58.0 million of such Required Collateral CapEx Spend (provided that each of the Company and the Independent Technical Engineer deliver the respective certificates referred to in the last proviso to this clause (1) (*less* any deemed amounts made pursuant to an election under clause (c) of the second paragraph of Section 4.10) made on an asset that is part of the Collateral prior to the Issue Date, as having been invested in Capital Expenditures in accordance with the provisions of this clause (1) despite such Capital Expenditures being made prior to the Issue Date; *provided further* that the Company shall make such Capital Expenditures or enter into a binding contract to make Capital Expenditures within 180 days of the Issue Date; *provided further* that any Capital Expenditures pursuant to such a binding contract must be consummated within 270 days of the Issue Date; *provided further* that pending the final application of any such Net Cash Proceeds, the Company shall deposit such Net Cash Proceeds in an account in which the Collateral Trustee has a perfected security interest for the benefit of the Notes, the Stub Notes and the Obligations outstanding under the Working Capital Facility in accordance with the applicable Lien priorities described in the Intercreditor Agreement; *provided further* that funds in respect of one or a series of disbursement requests in excess of U.S.$3.0 million for Capital Expenditures under this clause (1) may only be disbursed from the account described in the preceding proviso upon (A) the delivery to the Trustee and the Collateral Trustee of an Officer's Certificate (which certificate shall be delivered including exhibits by the Trustee to any Holder or Beneficial Owner upon request by such Holder or Beneficial Owner) certifying the delivery to the Independent Technical Engineer of sufficient information to enable the Independent Technical Engineer to certify the Company's compliance with this clause (1) and the reasonableness and appropriateness of each disbursement request for Capital Expenditures (with such information set forth in an exhibit to such Officer's Certificate); and (B) the delivery to the Trustee and the Collateral Trustee by the Independent Technical Engineer of an Engineer's Certificate (which certificate shall be delivered by the Trustee to any Holder or Beneficial Owner upon request by such Holder or Beneficial Owner) as to the Company's compliance with this clause (1) and to the reasonableness and appropriateness of each disbursement request for Capital Expenditures given the information set forth in the exhibit to the Officer's Certificate; and

(2) expend an aggregate principal amount on Operating and Maintenance Expenses equal to U.S.$24.9 million.

For the avoidance of doubt, the Company may use any Net Cash Proceeds, which are deemed to be applied to Capital Expenditures pursuant to subclause (b)(1) above, in any manner not otherwise prohibited by this Indenture.

(c) Other than as provided in this Section 3.11 (including, for the avoidance of doubt the periods for any redemption notices and payments), any redemption pursuant to this Section 3.11 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.12 *Olinda Star Disposition Redemption*

(a) Upon the sale, disposition or transfer of Olinda Star in connection with any voluntary or involuntary restructuring proceeding commenced in the British Virgin Islands (or any other jurisdiction) (an "*Olinda Star Disposition*"), the Company shall, on the date of the consummation of such sale, disposition or transfer (the "*Olinda Star Disposition Date*"), mail or cause to be mailed, by first-class mail, postage prepaid (or delivered in accordance with the applicable procedures of DTC), a notice of redemption to each Holder, with a copy to the Trustee, and shall, no less than ten (10) Business Days after

such Olinda Star Disposition Date, apply 100% of such Net Cash Proceeds received by the Company or any Subsidiary from such sale to:

(1) redeem (an "*Olinda Star Disposition Redemption*") the Securities and the Stub Notes (pro rata in accordance with Section 3.13) in an aggregate principal amount (together with accrued and unpaid interest to the date of such redemption) equal to such Net Cash Proceeds, at a redemption price equal to 100% of the principal amount thereof; or,

(2) if (x) creditors under the Working Capital Facility have been granted First Liens and/or Second Liens on any Collateral relating to Olinda Star or (y) Olinda Star has Guaranteed any Obligations under the Working Capital Facility pro rata among (A) and (B) with respect to the Obligations secured by First Liens and Second Liens, respectively, to the extent of the recovery:

(A) implement an Olinda Star Disposition Redemption in an aggregate principal amount equal to such pro rata portion of such Net Cash Proceeds, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the date of such redemption; and

(B) permanently repay or cause to be repaid the Obligations under the Working Capital Facility in an aggregate principal amount equal to such pro rata portion of such Net Cash Proceeds, together with accrued and unpaid interest to the date of such repayment.

(b) Other than as provided in this Section 3.12 (including, for the avoidance of doubt the periods for any redemption notices and payments), any redemption pursuant to this Section 3.12 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.13 *Application of Amounts on the Securities.*

Any cash payments made on, or redemptions of, the Securities and the Stub Notes pursuant to an Asset Sale or to Sections 3.07, 3.09, 3.10, 3.11(a), 3.12 or 4.01(b) and any PIK Interest made on the Securities and Stub Notes pursuant to Section 2.13(c) shall be applied as follows:

(a) *first*, the aggregate principal amount of any such cash payment, redemption or PIK Interest shall be divided based on (i) an amount equal to the proportionate amount of the outstanding principal amount of the Securities on the Issue Date and (ii) an amount equal to the proportionate amount of the outstanding principal amount of the Stub Notes on the Issue Date, in each case, subject to adjustments to maintain the authorized denominations for the Securities and the Stub Notes; and

(b) *second*, in the case of any cash payment or redemption, such cash applied to the Securities shall then be deemed to be applied in reverse order of priority of the Liens applicable to the Securities, as follows: (i) to the Third Lien Tranche, if any, until all Third Lien Obligations under the Third Lien Tranche are paid in full, if any; (ii) to the Second Lien Tranche until all Second Lien Obligations under the Second Lien Tranche are paid in full; and (iii) to the First Lien Tranche until all First Lien Obligations under the First Lien Tranche are paid in full. Notwithstanding anything to the contrary contained herein, neither the Trustee, the Registrar nor DTC shall have any responsibility to record or evidence the application of any cash payments or redemptions described in this Section 3.13(b).

otherwise dispose of all or substantially all of the properties and assets of such Subsidiary Guarantor (determined on a consolidated basis for such Subsidiary Guarantor and its Restricted Subsidiaries), to any Person unless:

(1) either:

(A) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than a Subsidiary Guarantor) shall expressly assume all of the obligations of such Subsidiary Guarantor under its Note Guarantee, or

(B) the Net Cash Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; and

(2) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(A) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing.

The provisions of this Section 5.01 will not apply to any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of properties and assets, of any Restricted Subsidiary to the Company or any Subsidiary Guarantor or any consolidation or merger among Subsidiary Guarantors. The provisions of clauses (b) and (c) above will not apply to any merger of the Company into a Wholly-owned Subsidiary of the Company.

Section 5.02 *Successor Corporation Substituted*.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with Section 5.01 hereof, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the Surviving Entity and not to the Company), and may exercise, without limitation, every right and power of, the Company under this Indenture and the Securities with the same effect as if such Surviving Entity had been named as such. Upon such substitution, unless the successor is one or more of the Company's Restricted Subsidiaries, the Company will be automatically released from its obligations hereunder. For the avoidance of doubt, compliance with this Section 5.02 will not affect the obligations of the Company (including a Surviving Entity, if applicable) under Section 4.15 hereof, if applicable.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default*.

The following are "*Events of Default*":

(1) default in the payment when due of the principal of or premium, if any, on any Securities, including the failure to make a required payment to purchase Securities tendered pursuant to an optional redemption, an Olinda Star Disposition Redemption, an FPSO Disposition Redemption, a Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest (including, for the avoidance of doubt, the PIK Interest referred to in Section 2.13(d) and any other payment of PIK Interest required under this Indenture), Additional Amounts on any Securities or any amounts required under Section 3.10;

(3) the failure to perform or comply with any of the provisions described under Section 5.01 or 4.25, or if the Star International Mortgage is not part of the Initial Collateral on or prior to December 31, 2019;

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in this Indenture, the Intercreditor Agreement, the Master Intercreditor Agreement, the Securities or the Security Documents not expressly included as an Event of Default in this Indenture and the continuance of such default for 60 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes (with a copy to the Trustee if such notice is from the Holders); *provided*, *however*, so long as Olinda Star is in provisional liquidation in the British Virgin Islands, such failure to cause Olinda Star to comply with an agreement or covenant hereunder shall not be an Event of Default if (x) such failure is the result of Olinda Star being in provisional liquidation in the British Virgin Islands and (y) such failure is in direct contravention of an instruction by the Company to Olinda Star;

(5) default by the Company, Constellation Overseas or any Significant Subsidiary which shall not have been cured or waived under any Indebtedness of the Company, Constellation Overseas or such Significant Subsidiary (other than Olinda Star prior to the applicable Springing Security Deadline for Olinda Star) which:

(A) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(B) results in the acceleration of such Indebtedness prior to its Stated Maturity;

and the principal or accreted amount of Indebtedness covered by (A) or (B) at the relevant time exceeds U.S.$15.0 million individually or in the aggregate (or the equivalent in other currencies) or more;

(6) failure by the Company, Constellation Overseas or any Significant Subsidiary to pay one or more final, non-appealable judgments against any of them, aggregating U.S.$15.0 million (or the equivalent in other currencies) or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more (and otherwise not covered by an insurance policy or policies issued by reputable and credit-worthy insurance companies);

(7) except as permitted by this Indenture, any Note Guarantee of a Subsidiary Guarantor is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Subsidiary Guarantor, or any Person acting on behalf of a Subsidiary Guarantor, denies or disaffirms its obligations under its Note Guarantee; *provided* that the Note Guarantee of a Subsidiary Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default under this Indenture;

(8) the Company, any of its Significant Subsidiaries, Constellation Overseas or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

provided, *however*, that this clause (8) shall not apply to Olinda Star prior to the applicable Springing Security Deadline for Olinda Star;

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company, any of its Significant Subsidiaries, Constellation Overseas or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of the Company, any of its Significant Subsidiaries, Constellation Overseas or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company, any of its Significant Subsidiaries, Constellation Overseas or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company, any of its Significant Subsidiaries, Constellation Overseas or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; *provided*, *however*, that this clause (9) shall not apply to Olinda Star prior to the applicable Springing Security Deadline for Olinda Star; and

(10) except as expressly permitted by this Indenture, the Intercreditor Agreement and the Security Documents, any of the Security Documents shall for any reason cease to be in full force and effect and such default continues for 30 days or the Company shall so assert, or any security interest created, or purported to be created, by any of the Security Documents shall cease to be enforceable and such default continues for 30 days.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless written notice of such Default or Event of Default has been given to an authorized officer of the Trustee with direct responsibility for the administration of this indenture by the Company or any holder.

SCHEDULE 2.13

OLINDA RESTRUCTURING SUMMARY TERMS

The Olinda Scheme will provide that:

(a) the Original Olinda Guarantee is exchanged for Olinda Star's Note Guarantee under the Indenture (the "*New Olinda Notes Guarantee*");

(b) the New Olinda Notes Guarantee will be secured by the Springing Collateral related to Olinda Star, and the Company and Olinda Star shall comply with Section 10.05 of the Indenture;

(c) the Original Olinda Guarantee will remain an obligation of Olinda Star and remain in full force and effect for the duration of the Olinda BVI Proceeding, and it will only terminate upon the granting of the New Olinda Notes Guarantee (in accordance with the terms and timings set out in the Indenture), and the full consummation of the Olinda Scheme; and

(d) substantially contemporaneously with providing its Note Guarantee under the Indenture, Olinda Star will guarantee the Obligations under the Working Capital Facility and the Bradesco L/C Agreements (as defined in Schedule 4.12 of the Indenture), which guarantee will be secured by the same collateral as the New Olinda Notes Guarantee in accordance and with the priorities provided in the Indenture and the Intercreditor Agreement.

For the avoidance of doubt, as set forth in the Indenture, until the Olinda Scheme is effective, Olinda Star will not be a guarantor of the Securities and Olinda Star will continue to be subject to the terms of the Original Olinda Guarantee.

SCHEDULE 4.12

OLINDA STAR INDEBTEDNESS

1. 9.00% Cash / 0.50% PIK senior secured notes due 2024, issued under the indenture, dated July 27, 2017 (as amended), among the Company, Olinda Star, the other Subsidiary Guarantors party thereto, and Wilmington Trust National Association

2. Amended and Restated Reimbursement Agreement dated as of December 18, 2019 (as amended, supplemented or otherwise modified from time to time, the "*Laguna L/C Agreement*") between Constellation Overseas and Banco Bradesco relating to a letter of credit by Banco Bradesco by order and for the account of Constellation Overseas on behalf of Laguna Star Ltd., in the amount of U.S.$24,000,000.00

3. Amended and Restated Reimbursement Agreement dated as of December 18, 2019 (as amended, supplemented or otherwise modified from time to time, the "*Brava L/C Agreement*" and, together with the Laguna L/C Agreement, the "*Bradesco L/C Agreements*") between Constellation Overseas and Banco Bradesco relating to a letter of credit by Banco Bradesco by order and for the account of Constellation Overseas on behalf of Brava Star Ltd., in the amount of U.S.$6,200,000.00.

EXHIBIT 3

Notice Convening the Scheme Meeting

NOTICE OF COURT CONVENED MEETING

IN THE EASTERN CARIBBEAN SUPREME COURT
IN THE HIGH COURT OF JUSTICE
VIRGIN ISLANDS

COMMERCIAL DIVISION

CLAIM NO: BVIHC (COM) 2018/0211

IN THE MATTER OF SECTION 179A OF THE BVI BUSINESS COMPANIES ACT, 2004

AND

IN THE MATTER OF OLINDA STAR LTD (IN PROVISIONAL LIQUIDATION)

Terms used in this Notice have the same meanings as in the scheme circular (the **Scheme**) relating to the proposed scheme of arrangement between Olinda Star Ltd (in Provisional Liquidation) (the **Company** or **Olinda**) and the Scheme Creditors (as defined therein) under section 179A of the BVI Business Companies Act, 2004 (the **Act**).

NOTICE IS HEREBY GIVEN that, by an order dated 20 December 2019 (the **Order**) made in the above matter, the Eastern Caribbean Supreme Court of the Territory of the British Virgin Islands (the **BVI Court**) has directed a meeting (the **Court Convened Meeting**) to be convened between the Company and the Scheme Creditors for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the **Scheme of Arrangement**) pursuant to section 179A of the Act proposed by the Company and to be made between the Company and the Scheme Creditors and that such Court Convened Meeting will be held at the offices of White & Case, 1221 6th Avenue, New York, 10020, United States of America at 13:00 on 14 January 2020.

All Scheme Creditors are requested to attend the Court Convened Meeting either in person, by an authorised representative (if a corporation), or by proxy.

To be approved, the Scheme of Arrangement must be approved by a majority in number representing 75% in value of the creditors or class of creditors present and voting either in person or by proxy at the meeting. At the Court Convened Meeting the following resolution will be proposed:

"*THAT the Scheme of Arrangement proposed by the Company, particulars of which are set out in the Scheme, a copy of which has been tabled at this Court Convened Meeting, be approved subject to any modification, addition or condition which the Eastern Caribbean Supreme Court of the Territory of the British Virgin Islands may think fit to approve or impose which would not directly or indirectly have a material adverse effect on the rights of the Scheme Creditors*."

A copy of the Scheme of Arrangement and a copy of the Scheme explaining the effect of the Scheme of Arrangement are incorporated into the composite document of which this notice forms part. A copy of such document has been made available to the Scheme Creditors through the DTC's Legal Notice System (in respect of the Existing 2024 Notes); and uploaded by the Scheme Company to the website at https://theconstellation.com/enu/s-2005-enu.html.

Voting Record Time

Entitlement to attend and vote at the Court Convened Meeting and the number of votes attributable to an individual Scheme Creditor will be as set out in the Scheme.

Voting Procedures

Scheme Creditors may vote in person, by a duly authorised representative or by proxy at the Court Convened Meeting in accordance with the voting instructions more particularly set out in the Scheme. A Scheme Creditor that has a beneficial or contingent interest as a Noteholder in relation to the Existing 2024 Notes who wishes to vote at the Court Convened Meeting is requested to liaise with the Scheme Administrator in accordance with the instructions contained in the Voting and Proxy Forms and, in any event, so as to be received by **13.00 (New York time) on 13 January 2020** (the **Submission Deadline**).

A Scheme Creditor on whose behalf a duly completed Voting and Proxy Form is submitted before the Submission Deadline may still attend the Court Convened Meeting in person. If a Scheme Creditor intends to attend the Court Convened Meeting, it may amend its voting instructions provided in a previously submitted Voting and Proxy Form by submitting a new validly completed Voting and Proxy Forms to the Chairman of the Court Convened Meeting before the start of the Court Convened Meeting.

The Trustee is a Scheme Creditor for the purpose of the Scheme. However, under the terms of the voting rights set out in the Scheme it will be considered not to have any votes vote at the Court Convened Meeting.

Any Scheme Creditor who wishes to be represented in person at the Court Convened Meeting (or its proxy) will be required to register its attendance at the Court Convened Meeting prior to its commencement. Registration will commence at 11am on 14 January 2020. A passport will be required as proof of personal identity to attend the Court Convened Meeting and, in the case of a corporation, evidence of corporate authority (for example, a valid power of attorney and/or board minutes). Each proxy must bring to the Court Convened Meeting a copy of the Voting and Proxy Form of the Scheme Creditor having been duly completed authorising him or her to act as proxy on behalf of the Scheme Creditor and evidence of personal identity.

If appropriate personal identification is not produced, that person will only be permitted to attend and vote at the Court Convened Meeting at the discretion of the Chairman of the Court Convened Meeting.

Chairman of the Court Convened Meeting

By the said Order, the BVI Court has appointed Eleanor Fisher, to act as the Chairman of the Court Convened Meeting and has directed the Chairman of the Court Convened Meeting to report the result thereof to the BVI Court.

If the requisite majority of Scheme Creditors approve the Scheme of Arrangement at the Court Convened Meeting, the BVI Court will hold a hearing to consider whether to sanction the Scheme of Arrangement ("**Scheme Sanction Hearing**"). Scheme Creditors are entitled (but not obliged) to attend the Scheme Sanction Hearing, through legal counsel, to support or oppose the

sanction of the Scheme of Arrangement. The Scheme Sanction Hearing is expected to take place shortly after the Court Convened Meeting at such date and time as the Scheme Administrator or Company may notify to Scheme Creditors.

A Scheme will be legally binding on the Scheme Creditors, including both those voting against the Scheme and those not voting) if:

(a) a majority in number representing 75% in value of the creditors or class of creditors present and voting whether in person or by proxy at the Court Convened Meeting agrees to the Scheme of Arrangement;

(b) the BVI Court sanctions the Scheme at the Scheme Sanction Hearing; and

(c) an office copy of the BVI Court order sanctioning the Scheme is filed with the BVI Registrar of Companies.

For further information please contact the [Scheme Administrator] using the contact details below:

Eleanor Fisher acting as joint provisional liquidator of the Company pursuant to the 2019 Insolvency Protocol

Address: EY Cayman Ltd., 62 Forum Lane, Camana Bay, PO Box 510, Grand Cayman, KY1-1106, Cayman Islands

Telephone: +1 345 949 8444

Email: eleanor.fisher@ky.ey.com (please reference "Olinda Scheme" in the subject line)

EXHIBIT 4

Petitioner's Statement Pursuant to 11 U.S.C. § 1515(c)

WHITE & CASE LLP
1221 Avenue of the Americas
New York, New York 10020-1095
(212) 819-8200
John K. Cunningham
Thomas E. MacWright
Samuel P. Hershey

111 South Wacker Drive
Chicago, IL 60606
(312) 881 5400
Jason N. Zakia (*admitted pro hac vice*)

Southeast Financial Center
200 South Biscayne Blvd., Suite 4900
Miami, Florida 33131
(305) 371-2700
Richard S. Kebrdle (*pro hac vice pending*)

Attorneys for Eleanor Fisher,
as Petitioner and Foreign Representative

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	
	)	Case No. 20-10712
Olinda Star Ltd.,	)	
	)	
Debtor in a Foreign Proceeding.	)	Chapter 15
	)	

STATEMENT OF FOREIGN REPRESENTATIVE
PURSUANT TO SECTION 1515(c) OF THE BANKRUPTCY CODE

I, Eleanor Fisher, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury under the laws of the United States of America that the following is true and correct to the best of my knowledge and belief:

1. I am the duly appointed representative (the "**Foreign Representative**") of Olinda Star Ltd. (In Provisional Liquidation) ("**Olinda**") in the provisional liquidation proceeding of

Olinda pending in the BVI Commercial Court pursuant to section 170 of the BVI Insolvency Act, 2003 of the laws of the British Virgin Islands (the "**BVI Proceeding**").

2. I respectfully submit this statement, as required under section 1515(c) of title 11 of the United States Code (the "**Bankruptcy Code**"), in support of the verified petition filed concurrently herewith by the Foreign Representative seeking recognition by this Court of the BVI Proceeding as a foreign main proceeding or alternatively a foreign non-main proceeding.

3. In addition to the BVI Proceeding, on December 6, 2018 Olinda commenced a jointly-administered judicial reorganization proceeding pending in the 1st Business Court of Rio de Janeiro pursuant to Federal Law No. 11.101 of February 9, 2005 of the laws of the Federative Republic of Brazil on December 6, 2018 ("**Brazilian RJ Proceeding**"). On March 26, 2019 the Brazilian Court of Appeals upheld a lower court decision to exclude Olinda from the Brazilian RJ Proceeding. Olinda has appealed its exclusion from the Brazilian RJ Proceeding to the Brazilian Superior Court of Justice, but such appeal is yet to be decided.

4. The BVI Proceeding and, to the extent it constitutes a "foreign proceeding" within the meaning of section 101(23) of the Bankruptcy Code, the Brazilian RJ Proceeding, are the only foreign proceedings (within the meaning of section 101(23) of the Bankruptcy Code) with respect to Olinda that are known to me.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: March 6, 2020

Grand Cayman,
Cayman Islands

Eleanor Fisher

EXHIBIT 5

Corporate Ownership Statement

WHITE & CASE LLP
1221 Avenue of the Americas
New York, New York 10020-1095
(212) 819-8200
John K. Cunningham
Thomas E. MacWright
Samuel P. Hershey

111 South Wacker Drive
Chicago, IL 60606
(312) 881 5400
Jason N. Zakia (*admitted pro hac vice*)

Southeast Financial Center
200 South Biscayne Blvd., Suite 4900
Miami, Florida 33131
(305) 371-2700
Richard S. Kebrdle (*pro hac vice pending*)

Attorneys for Eleanor Fisher,
as Petitioner and Foreign Representative

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	
	)	Case No. 20-10712
Olinda Star Ltd.,	)	
	)	Chapter 15)
Debtor in a Foreign Proceeding.	)	

CORPORATE OWNERSHIP STATEMENT PURSUANT TO
FEDERAL RULES OF BANKRUPTCY PROCEDURE 1007(a)(4)(A) AND 7007.1

Eleanor Fisher, in her capacity as foreign representative (the "**Foreign Representative**") of the provisional liquidation Olinda Star Ltd. (In Provisional Liquidation) ("**Olinda**") pending in the BVI Commercial Court pursuant to section 170 of the BVI Insolvency Act, 2003 of the laws of the British Virgin Islands (the "**BVI Proceeding**"), through her attorneys White & Case LLP, hereby declare as follows:

Upon information and belief, the following entities owned 10 percent or more of Olinda as of the commencement of this chapter 15 case.

Entity	Percentage of Ownership Interest
Constellation Overseas Ltd.	100% of Olinda
Constellation Star GmbH	100% of Constellation Overseas Ltd.
Constellation Oil Services Holding S.A.	100% of Constellation Star GmbH
CIPEF VI QGOG S.à.r.l.	10.31% of Constellation Oil Services Holding S.A.
LUX Oil & Gas International S.à.r.l.	74.14 % of Constellation Oil Services Holding S.A.
Constellation Holdings S.à.r.l.	13.96% of Constellation Oil Services Holding S.A.
Sun Star Fundo de Investimento em Participações Multestratégia Investimento no Exterior	100% of LUX Oil & Gas International S.a.r.l.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: March 6, 2020
Grand Cayman,
Cayman Islands

Eleanor Fisher

EXHIBIT 6

Petitioner's Statement of Authorized Persons

WHITE & CASE LLP
1221 Avenue of the Americas
New York, New York 10020-1095
(212) 819-8200
John K. Cunningham
Thomas E. MacWright
Samuel P. Hershey

111 South Wacker Drive
Chicago, IL 60606
(312) 881 5400
Jason N. Zakia (*admitted pro hac vice*)

Southeast Financial Center
200 South Biscayne Blvd., Suite 4900
Miami, Florida 33131
(305) 371-2700
Richard S. Kebrdle (*pro hac vice pending*)

Attorneys for Eleanor Fisher,
as Petitioner and Foreign Representative

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	
	)	Case No. 20-10712
Olinda Star Ltd.,	)	
	)	
Debtor in a Foreign Proceeding.	)	Chapter 15
	)	

LIST FILED PURSUANT TO FEDERAL RULE OF BANKRUPTCY PROCEDURE 1007(a)(4)(B)

Eleanor Fisher, in her capacity as foreign representative (the "**Foreign Representative**") the provisional liquidation Olinda Star Ltd. (In Provisional Liquidation) ("**Olinda**") pending in the BVI Commercial Court pursuant to section 170 of the BVI Insolvency Act, 2003 of the laws of the British Virgin Islands (the "**BVI Proceeding**"), through her attorneys White & Case LLP, hereby files this list pursuant to Rule 1007(a)(4)(B) of the Federal Rules of Bankruptcy Procedure and declares as follows:

List of Administrators

(i) The Foreign Representative and Paul Pretlove are the appointed representatives for the Olinda in the BVI Proceeding. The Foreign Representative and Mr. Pretlove's addresses are EY Cayman Ltd, 62 Forum Lane, Camana Bay, PO Box 510, Grand Cayman KY1-1106, Cayman Islands and Kalo (BVI) Limited, P.O. Box 4571, 4th Floor LM Business Centre, Fish Lock Road, Road Town, Tortola, British Virgin Islands, VG1110, respectively.

Parties to Litigation in the United States to which Olinda is party

(ii) The Foreign Representative is aware of the following proceeding in the United States wherein Olinda is a party:

(1) *In re Olinda Star Ltd.,* Case No. 18-13959 (MG) (SDNY Bankr.)

Entities Against Whom Provisional Relief Is Being Sought

(iii) The Foreign Representative is not currently seeking provisional relief under Bankruptcy Code section 1519. The Foreign Representative reserves the right to seek provisional relief if deemed necessary.

[*Remainder of this Page Intentionally Left Blank*]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: March 6, 2020
Grand Cayman,
Cayman Islands

Eleanor Fisher